THE WORLD'S TARIFFS

AND

THE BRITISH SYSTEM OF STATE AID TO COMPETING IMPORTS.

R. RALSTON BOYD.

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Fiscal Question
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THE WORLD'S TARIFFS

AND THE

BRITISH SYSTEM OF STATE AID TO COMPETING IMPORTS.

BY

R. RALSTON BOYD,

AUTHOR OF

"BRITISH AGRICULTURE IN DANGER,"
"BRITISH MANUFACTURES IN DANGER," } 1888
"A TREATISE ON THE FISCAL QUESTION—A WORKING MAN'S QUESTION," (1904)
"THE FISCAL QUESTION SIMPLIFIED AND ITS PRINCIPLES EXPLAINED; AND ANALYSIS OF SOME POPULAR ERRONEOUS IDEAS ENTERTAINED THEREON" (1907)

VICE-PRESIDENT OF THE SOCIETY FOR THE
PRESERVATION OF BRITISH INDUSTRIES
AND FOR
INCREASE OF EMPLOYMENT
BY MEANS OF BETTER ADJUSTMENT OF IMPORT TARIFFS AND THE GRANTING OF EQUITABLE TREATMENT TO HOME PRODUCTION FOR HOME SUPPLY.

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who, having the courage of their opinions, as well as the perspicacity to appreciate the merits of a scientific and arithmetical analysis of the nature of Tariffs, in preference to one of sentiment and uncertainty, contributed their aid and their moral support towards advancing the cause of Scientific Tariff Knowledge through the operations of this Society.

VINCIT VERITAS.

SOCIETY FOR

Preservation of British Industries.

EQUITABLE TREATMENT TO HOME PRODUCTION.
INCREASE OF HOME EMPLOYMENT.

R. RALSTON BOYD,
Vice-President.

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ABRIDGED OPINIONS AND CRITICISMS.

Mr. DAVID MACIVER, M.P., says: "There are many leagues working towards the same end (Tariff Reform), but the surprising thing to me is that none, except yours, has made much of a point that State-Aided Importation is the real meaning of what is called Free Trade.—Conservative Club, Liverpool, July 29th, 1907."

Mr. J. HOLT SCHOOLING strongly approves of the principles explained in this pamphlet, and supported them by his letter in the "Pall Mall Gazette" of 13th August, 1907.

Mr. L. S. AMERY says: "The point of State-Aided Import is excellent."

Mr. J. ROWLAND HUNT, M.P., considers it "a clear exposition of the Fiscal Question," and has enforced it in the House of Commons.

Sir CHARLES FOLLETT says the arguments, as put by Mr. Boyd, are irresistible. "'Compensating duties,' as the French call them, or equivalent duties, as we should say, are necessary for giving anything approaching equality of standing to our home producers in our own home market."

Mr. R. WATSON, Southport, says: "It is quite the most lucid explanation of a very difficult question."

Mr. M. COOKSON, Southport (working man) says: "I must confess this pamphlet clears up several points about which I was not sure before. I think it ought to be read by every working man. Please send me some copies."

Mr. ALGERNON BLACK says: "Mr. Boyd's exposition is clear, pithy, and conclusive. It ought to be widely circulated."

Mr. JOHN LEIGH, Solicitor, Manchester, says: "I think your explanation of the Fiscal Question is more lucid and comprehensible than any I have seen."

Colonel Sir CHARLES FITZGERALD, K.C.B., says: "I think the way you describe the phrases Free Trade and Free Import are original and convincing, also your explanation of Protection, a word applied indiscriminately to operations totally different from each other."

Mr. JAMES PAXMAN, Colchester, says: "I highly approve of the explanation of the Fiscal Question which you give in this pamphlet, and think it ought to be widely circulated."

Mr. GEORGE A. TOUCHE, London: "Nowhere have I seen a more lucid demonstration of the fact that our present system of so-called Free Import does not give equitable treatment to the Home Producer for the Home Market. I hope your valuable pamphlet will receive the wide circulation which it deserves."

The following criticisms will be found in the Appendix:—

The "Yorkshire Herald."
The "Pall Mall Gazette."
The "Shrewsbury Chronicle."
The "Croydon Guardian."
W. S. Airy, Master at Deniston College.
Colonel Sir Charles FitzGerald, K.C.B., J.P.
A. Maconachie, Barrister, Temple.
Reference to Chapter XV. in the British Trade Book, by John Holt Schooling.
John T. Nuttall, Southport.
Arthur Lovell, London.
H. N. Wethered.

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CHAPTER I.

INTRODUCTION.

Commander Hastings Berkeley, R.N., in his publication entitled "Wealth and Welfare," makes the following remark, namely, "in nations, time invariably exposes, and fate inexorably punishes, deceit or fraud, whether practised on self or others. There comes, finally, a day of reckoning, when nations who disregard the laws necessary for their well-being find themselves bankrupt in health and wealth."

In the whole history of the world we have no knowledge of any nation being able to establish and maintain a position without having production as a basis of power.

In our own case it is not disputed that production is the only source of wealth, but in the examination we are now making we have to recognise the fact that the export trade of Great Britain forms only about one-sixth part of the annual value of articles consumed or used. That is to say, that while we export articles, including coal, to the value of about 350 millions per annum, the productions of the country which are annually consumed represent about 2,000 millions.

The great question is to review the manner in which we treat our production for our own wants,

as well as the condition in which we place by legislation our export trade.

It would appear evident that the market which consumes by far the greater portion of our production is the one most worthy of consideration, and that market is our own. With regard to it, we have no statistics as to the extent to which, in recent years, we have lost our home market by the importation of foreign articles which we are as well fitted to produce, but we have ample evidence of many instances in which it has occurred.

THE PRESERVATION OF BRITISH INDUSTRIES.

Is that a matter of any importance at all? Is it a matter worth any consideration?

When we regard other nations of the world, we find that in every instance they set the highest value and importance upon that treatment of their home industries which will make them most prosperous. They do this on the ground that prosperous industries employ their population, making for their happiness, for their feeling of independence, and for their national strength.

It cannot be questioned that the scientific development of the natural possibilities of each country is a legitimate and desirable result when the operation is carried on with co-existent means being taken to secure the comfort and well-being of the working classes. Civilisation and equity demand that these conditions should prevail, and there can be no doubt that the best results will be attained by their observance.

Why is it necessary to refer to these elementary

truths connected with the importance of production? It is because in Great Britain we have reversed the process which leads to development of production and employment, and have done so without being aware of it, on account of the legislation which has produced the reversal of the process being kept from the eyes of the public by the use of misleading titles.

CHAPTER II.

NATURAL LAWS OF COMMERCE.

It must not be taken for granted that all legislation which has been passed in connection with commerce, or by which commerce has been affected, has been good legislation. Wise commercial legislation has been a matter of evolution in the same manner that science has been in all its branches. The science of legislating beneficially for commerce is one of the greatest importance, because the commerce of any country, whether its internal or international commerce, constitutes its raison d'être and its means of subsistence.

A study of the natural laws of commerce is a study of the basis upon which successful commerce can be conducted upon conditions of equity to all keen bargaining. That commerce can nowhere exist without production goes without saying.

Great Britain has been an example to the world in many ways, and it cannot be said that she has not had the courage of her convictions. In Import Tariffs she has made the largest experiments which history records, by having had in operation at different times systems which are the opposite of

each other, such as high import duties, no import duties, bounties upon exports, State-aided imports, which is synonymous with bounties upon imports, and at present, while advocating and practising in regard to competitive articles a system of State-aided import which passes under the title of Free Import, she raises from her imports a higher amount than any of those protectionist countries.

When, in addition to the adoption of changes so diversified and opposite in character, the nation is at the present time about equally divided, one-half supporting our present system and the other half in opposition to it, it is obvious that the laws by which prosperity is regulated are but imperfectly understood.

We are all more or less aware of the unvarying character of the natural laws in physical sciences—how uniform they are in their operation; how a disregard of them, either through neglect or ignorance, meets with immediate defeat or punishment. The knowledge of these laws has enabled us, by placing ourselves in conformity with them, to produce the wondrous results we have in the steam engine, the telegraph, the ocean steamer, and in our labour-saving and manufacturing appliances. The moral lesson we learn is that no success is to be obtained except by recognising and submitting ourselves to the certainty and truth of the operation of the principles involved. Is it different in metaphysical sciences? There is no evidence that it is different; on the contrary, there is abundant evidence that the same uniformity of cause and effect exists in them, if we take the trouble to understand them. There are truths and laws in the science of political economy—that

science by which our system of taxation, and the arrangements upon which our home and our international trade should be conducted, is regulated—any deviation from the fundamental principles of which will inevitably result in disadvantage and loss.

Our import arrangement has of late been the subject of a great deal of scrutiny. Either it is capable of improvement or it is not. If it be not capable of improvement, then we may well rest contented and happy in being the sole possessors of an exceptional blessing; but after careful consideration of all the influences which may be affecting the condition of trade and of the masses, I have come to the conclusion—and I think I can make it evident—that our import arrangements (I cannot call it a system) are the most deserving of attention, as exercising immeasurably greater effect upon our industries than any other, or than all the other questions put together.

In any case, I do not think any one can reasonably deny the right of the present generation to examine and to prove any opinion held by our ancestors. It exhibits no want of respect to them. Everything connected with human knowledge has been progressive. The steam engine of to-day is not precisely the same as it was when it was given to us by James Watt; and yet it is no uncommon thing to hear it stated that our fiscal policy was examined and settled sixty years ago, and there is no sense in disturbing the question now. What have the supporters of it to fear from its examination? If it be only fit to set a scarecrow upon, then probably the sooner it is examined the better.

But how can it be said that the fiscal arrangement we have has been arrived at as the result of either theoretical deduction or practical experience? As for theory, the opinion of Mr. Cobden was that within five or ten years from 1846 all nations were to be so convinced of the benefits to be derived from adopting the principle we in part adopted at that time. that they would follow our example, and that we should consequently be surrounded by nations carrying on their commerce on precisely the same lines as ourselves. Every one knows that that prediction has not been realised. Our example and our invitation have been refused and despised, showing that Mr. Cobden was entirely mistaken in his views. But, nevertheless, we carry on his plan, although in circumstances as diametrically opposed to the conditions in which it was intended to act as they could possibly be. If it was to be right for one state of affairs, how could it possibly be right for a state precisely the reverse? Then as to the experience possessed in 1846. Those who lived then had not the slightest conception of what the commercial world would develop into in sixty years' time. Our experience now is of infinitely more scope and value. To show how strikingly this is the case, I shall quote two passages from "The Wealth of Nations." In Book IV., chapter 2, Adam Smith says: "If the importation of foreign cattle were made ever so free, so few could be imported that the grazing trade of Great Britain could be little affected by it."

The next is from the same chapter, and is as follows: "The small quantity of foreign grain imported, even in times of the greatest scarcity, may satisfy our farmers that they can have nothing

to fear from the freest importation. The average quantity imported, one year with another, amounts only, according to the very well-informed author of the tracts upon the corn trade, to 23,728 quarters 'of all sorts of grain,' and does not exceed $\frac{1}{571}$ part of our annual consumption."

But Adam Smith wrote the above in 1776. We now import three times the quantity of wheat beyond what we produce. What would Adam Smith have said about the British farmer had he been able to foresee that 20 million quarters of wheat could be landed on our shores at only a nominal charge for freight, as well as an unlimited quantity of live beasts and fresh meat?

The legitimate inference from his language is that, could he have foreseen the advent of such circumstances possible, he would have had something very decided to say upon the subject. It was not his opinion that agriculture and industries might be interfered with with impunity.

Many things have changed since his time, but the changes since 1846 have far exceeded the changes between the time Adam Smith wrote (1776) and 1846. Education and enlightenment, and the powers of dealing with a question like this, have changed. The condition of trade and industries in England, and throughout the world, has entirely changed. Not that these changes in any way affect those laws of political economy which regulated events then, as now, but they make an immense difference upon the intelligence and experience with which we can look upon these laws, and on that account should bring it more within our grasp to understand them rightly, and to place ourselves in conformity with them.

We have the phenomenon of so-called Free Trade co-existent with depression—that same Free Trade which for years got the credit of the prosperity which went by leaps and bounds. We have the phenomenon of depression co-existent with low prices for the necessaries and comforts of life—those low prices which were to be the greatest boon to the working man. Agriculturists suffered sometimes during the reign of Protection. They are now suffering under the reign of this so-called Free Trade, and suffering more severely than they ever did before.

Seeing that these phenomena exist, and have at other times existed, under the conditions in which, according to the theory of both Free Traders and Protectionists, they ought not to have existed, the inference is that the whole matter has not been understood. The theories must of necessity have been hypotheses based upon false or insufficient premises.

There can be no doubt that these affairs are regulated by fixed laws; but, judging by the result, these laws have not been ascertained with sufficient exactness. What we can say with certainty is that, the various methods which have been tried not having produced the effects which were expected and predicted, the nature of the case has not been comprehended by those who had to deal with it, and perhaps many will be surprised at the position into which the trade of this country has drifted when they come to view it in its reality.

The only source of wealth is labour, whether the result of that labour be kept within the country, or part of it be used to exchange with other nations for commodities which they produce. Without

wealth raised in our own country we can have no exchanging power. It would seem almost as if we had forgotten this fundamental truth, or begun to think we can despise it. It remains, however, as incontrovertible to-day as it was when it was uttered. Kill our industries, and you kill the nation. At the present time all the civilised nations of the earth, except the British, recognise this law, and are acting upon it with the greatest keenness. It is only in Britain that it is being neglected.

The earliest industry and the most important source of wealth is agriculture. The industry of agriculture must exist before any other, because the first necessity of man is food. After that, in its order, comes the desire for clothing, resulting in manufactures; but wherever man is situated, the first requisite is food. In earlier times, England was not only self-supporting, but was an exporter of food. Food being able to be produced beyond the requirements of the population, capital began to accumulate. Individuals having accumulated capital, attention could be given to manufactures, both for home use and for export; and owing to the insular position of Great Britain, the energy and industry of her inhabitants, and to the freedom from the harassments of aggression, trade flourished, and the commercial supremacy of England was established, placing her many hundred years in advance of other European nations.

During that time the trade of England was carried on under the system of Protection. In 1846 a new departure was taken. The system of Protection was abandoned. All articles of a nature which we could manufacture or produce in our own country were to be admitted to our market upon a

system of State aid or preferential treatment as compared with our own producers, while a revenue tax was to be levied upon articles we did not produce —such as tea, coffee, cocoa, dried fruits, etc. It is into the nature of these operations—of this change—that it is necessary to examine.

The science or study of the powers and effects of legislation, under which commercial transactions are internationally conducted, as well as a consideration of the effects upon internal production and trade as the result of Fiscal or Excise legislation, forms a question which is altogether one of a commercial nature.

The question of "Free Trade" versus "Protection" has been largely discussed, but under those terms the discussions have never arrived at conclusions sufficiently definite to preclude further discussion.

The reason for this it is easy to find. Both of those terms, "Free Trade" and "Protection," as they are at present used, are complex terms. They both include ideas and practices so absolutely dissimilar that in order to arrive at a right understanding the first thing necessary is to analyse them. To ascertain the different ideas or processes concealed in them, and, when they are ascertained, to give them titles which represent their true character, instead of those which misrepresent it. Confusion and misunderstanding are the natural results to be expected from the application of erroneous and indefinite terms.

To be qualified to investigate this question, with the necessary appreciation of the different impressions and results capable of being produced upon the course of production and trade by dif-

ferent kinds of legislation, it is necessary to possess something more than the advantages of a higher education or the facilities of a special pleader: First, it is necessary to possess special technical knowledge acquired by actual experience in production, in commerce, and in commercial organization; second, it is necessary to have had practical experience in commercial accounting, as well as a knowledge of the methods of calculating the cost of production; third, it is necessary to possess a condition of mind prepared to look at things as they are, and not as they are supposed to be.

It will be readily admitted that in production there are numerous operations to be gone through which require a competent chemist to understand and direct them. Also, in commerce, there are systems of keeping accounts, without which business could not be carried on; these require an expert commercial accountant to organize and to ensure the regularity of their daily working. It is not in the slightest degree derogatory to those who possess the highest classical attainments possible to say that none of them would be qualified satisfactorily to discharge the duties of an expert in accounting or an expert in chemistry. It is consequently unsafe to assume that because a man is prominent as a lawyer or politician or theologian or astronomer, he should be deferred to as an authority upon chemistry, accounting, or commercial legislation.

To illustrate the reason for making those assertions, take the case of a large business employing 500 or 1,000 or 2,000 hands, possessing, say, ten different departments for ten different processes of

production. In each department it is necessary to distinguish between applied labour and unapplied labour. In the different departments the proportion is different in the relative amounts of applied and unapplied labour on account of the different nature of the work and the character of the machinery. An accurate knowledge has to be arrived at in each department of that relative proportion in order to have an accurate knowledge of cost. Another item is that of General Charges. Those also differ in different departments on account of differences in their consumption of motive power or lighting or water, as well as considerations for differences of plant and sunk capital. Suppose the ten departments are distinguished by the letters A to J, and that an inquiry comes for £1,000 worth of articles which will pass through departments A, B, D, F, J, and that the next inquiry is for £1,000 worth of articles which do not pass through those departments, but pass through A, C, E. H. Unless that business is so systematised that the firm can know precisely what the correct charges are in each department for unapplied labour, for general charges, and for fixed charges, it would be absolutely impossible to make a correct estimate of cost in order to give a reliable or safe quotation for the goods inquired for. Then, again, comes in the question of the size or extent of the proposed transaction. If it be one for £1,000, or one for £10,000, it makes an immense difference frequently in the cost of production. Now, are those matters in which professors or college educated men can be expected to be proficient? Certainly not. But, it will be asked, what is the connection between those details and the great question of national

political economy? It has the most intimate connection, because the want of a comprehension by our legislators of the methods of commerce and production, and the manner in which their best efforts and the true interests of the nation can be frustrated by unscientific and consequently unwise legislation, is not only serious, it is appalling.

In 1846 we seem to have entered into a fog, in which we have moved, and from which we are beginning to emerge and to grope our way.

At the present time it will be well to recognise the fact that intelligence is the important factor in all our concerns. In the case of the deadly struggle entered into between Japan and Russia, we paid, not unwillingly, the tribute of admiration to the victors on account of the thoroughness of their organization, of their equipment, and their state of complete preparation for every emergency. Applied intelligence, involving the most complete knowledge possible of every detail, has now become a necessity in order to keep pace with other nations who excel in that quality. It must be exercised in every department and in every direction. Any nation which cannot discover and adopt the means of rising above a low level of intelligence cannot expect to attain or maintain a leading position amongst the nations of the world, and above all when lack of intelligence is exhibited in those matters upon which the material prosperity of a nation depend.

The existence of every nation depends upon its material prosperity. There are laws of nature existent in commerce which are stronger than the laws of Governments, therefore it is not wise to possess acts of legislation which set themselves

either in opposition to natural laws or in opposition to each other, but it will have to be demonstrated that errors have been committed in both of those respects.

A scientific treatment of the subject of tariffs and taxation does not involve an endeavour to discover new laws; it can only consist of an investigation of those natural laws which existed before the study of them began, and, if that investigation be successfully performed, will supply a knowledge of the powers and influences exercised upon production and trade by different courses of legislation.

It will be found on examination that, like book-keeping and accounting, the science of tariffs is one full of symmetry and completeness, possessing uniformity in its operation, giving beneficial action when understood and rightly used, but as powerful for evil if inverted and applied the wrong way, either through ignorance or intention, precisely as a gun or a motor-car may either be instruments of benefit or of disaster, depending upon whether used with knowledge and discretion or the reverse.

International tariffs and inland fiscal laws can exercise a powerful influence for good or for evil, seeing that they possess the power to encourage, to guide, or to intercept the currents of production and trade.

The expression is frequently heard that the country is not prepared to accept this or the other idea. Into that state of mind which is not prepared to accept, or even to look at, the truth, this examination does not propose to enter; this much, however, can safely be said, that there is not at present before the public, nor is there the least likeli-

hood of any step being proposed, which would resemble in magnitude or seriousness the change which was swallowed in one gulp by this country in 1846, because at that time we adopted a course for the success of which no precedent existed in history.

The scope of the present inquiry is to analyse the natural laws which enter into our commercial transactions, to assign to them their due position and value, and to demonstrate the manner in which those transactions are influenced by our legislation.

On the point of literary merit, I ask for the kind indulgence of all readers of this work. The writing of books has not occupied a place within the range of my vocation, but it is with the hope that the experience of over forty years, obtained in circumstances exceptionally favourable for acquiring an insight into the nature and operation of home and foreign tariffs, as well as in the employment of labour in the production and the organization of commerce, will be found of some value, that these views are presented for the consideration of those willing to interest themselves in a subject upon which a sound decision is essential, in the interests of the nation.

CHAPTER III.

RETROSPECT OF THE MOVEMENT FOR TARIFF REFORM.

It will be well to take a cursory retrospect of some of the principal occurrences which have taken place in connection with the movement in favour of the alteration of our tariff system.

The impression apparently exists amongst many that agitation for Tariff Reform is a matter of quite recent origin. On the 21st of November, 1907, at a dinner given by the Unionist Free Trade Club to Earl Cromer, the chairman, Lord George Hamilton, said: "During the last two or three years a new school, mainly composed of young men, had come into existence, and these young men thought that the best way of making the Unionist party efficient was to provide that it should be Protectionist first and Unionist afterwards."

To what extent that remark is justified by facts, the following will show: Amongst prominent men in Manchester and elsewhere throughout the kingdom a continuous and constantly increasing support has been given during the last thirty years to the belief that all is not well with our tariff regulations. By evidences, both internal to the country

and external, the conviction has been growing that our tariff arrangements are not such as to be in favour of our national prosperity, and that such prosperity as the country has experienced since 1846 has not been in consequence of our exceptional tariff conditions, but in spite of them, and has, in reality, arisen from other causes dominating the effects calculable from the influences we have in operation, such as the fact that at the period of the application of steam power to production and to transit, Great Britain was the only country in the world in a position to meet and supply the world's requirements.

Without endeavouring to give a minute or chronological account of events in connection with Tariff Reform, or of the names of those who have taken an active part in the proceedings, a short reference to both can be readily given.

Between the years 1880-90, Lord Masham, then Mr. Cunliffe Lister, displayed much earnestness and determination in disseminating instruction regarding the necessity for Tariff Reform. He appointed a special office and representative in Cockspur-street, London, for the purpose of advancing his ideas, the ideas and convictions of a man of exceptional powers and success in production and commerce. He established a Fair Trade journal, promoted and personally attended numerous meetings, with ever-increasing success and support.

About twenty years ago there was a great Fair Trade demonstration held in Manchester. On the 31st of May, 1888, there was a very important Conference held at Birmingham, attended by leading men in Birmingham who supported Tariff Reform,

and by representative men from Manchester, Glasgow, London, and various business centres.

Of those who took a very active part in all such proceedings were the late Sir Howard Vincent, Mr. Chaplin, Sir Henry Howorth, J. G. Groves (Manchester), H. F. Hibbert (now Sir Henry F. Hibbert) (Chorley, Lancashire), Edwin Burgis (Manchester), S. S. Rigg (Manchester), A. Waithman (Manchester), R. Ralston Boyd (Manchester), F. T. Haggard, D. MacIver, M.P. (late member for Kirkdale, Liverpool), Mr. J. Croston, Tom Neill (Greenock, now the hon. secretary of the Tariff Reform League, Exeter), and many others.

About 1885-6 the British Union for Colonial Federation and Readjustment of Taxation, with offices in the Royal Exchange, Manchester, was established, and doing active work. Numerous debates and meetings of the working classes were held in working localities, as well as larger meetings in large halls in Manchester, the latter frequently attended by Mr. Cunliffe Lister, Sir Howard Vincent, and others; and also a great dinner was given at the Grand Hotel, Manchester, presided over by Mr. Chaplin, of leading business men of Manchester; also representatives from Liverpool, Glasgow, and other commercial centres.

That there was great attention concentrated upon the subject of Tariff Reform at that time is unquestionable. Much correspondence appeared in the "Manchester Courier," and books upon the subject were published by Mr. Edwin Burgis; by Mr. Sibson S. Rigg; and by Mr. R. Ralston Boyd, in 1888, a book entitled "British Industries and Agriculture in Danger."

The British Union, before referred to, which

was established in Manchester about 1885, under the management of Mr. Alfred Morris, with a membership of about seventy, included many leading business men and manufacturers of Manchester. Mr. Alfred Morris and the Committee organized and carried out much work in Manchester and neighbourhood, meeting with good attendances and much success at their lectures and discussions. In the Manchester Chamber of Commerce the subject of our free import system (as it was then termed, although incorrectly) had been frequently brought forward in consequence of the strength of conviction and the persistence of Mr. Edwin Burgis, Mr. H. F. Hibbert (of Chorley, now Sir Henry Hibbert), and of Mr. Sibson S. Rigg and Mr. Ralston Boyd. Those efforts culminated in the following:—

Copy of a resolution placed before the Manchester Chamber of Commerce in December, 1888, and carried by an overwhelming majority in its favour:—

> That, in the opinion of this Chamber, all goods of a nature and kind which we ourselves produce, offered for sale in the markets of the United Kingdom, should pay that equal proportional share of the burden of Imperial and Local Taxation which they would have paid if produced or manufactured in the United Kingdom.

The motion had an adjourned meeting so as to allow full discussion.

The resolution was proposed by H. F. Hibbert (now Sir Henry Hibbert, Chorley, Lancashire), and was seconded by the present writer, who was actively associated with the movement at that time, the prominent men then being Mr. Cunliffe Lister (Lord Masham), Sir Howard Vincent, Sir H. H. Howorth, Mr. Henry Chaplin, Mr. W. Mitchell (afterwards on the Tariff Commission), Mr. Burgis

and Mr. Sibson S. Rigg (both steady and persistent advocates of Tariff Reform), Mr. David MacIver (lately deceased, member for Kirkdale, Liverpool), Mr. F. T. Haggard, and many others. In 1888 and subsequently the movement for Tariff Reform was strong and widespread. Its supporters in Manchester were then not young men, but men advanced in life and in business experience.

Although the above resolution was approved and adopted by the Chamber of Commerce, the President being chairman, it was forthwith decided by the Directorate of the Chamber that a decision of this character, practically reversing the policy of the Chamber, ought to have the sanction, or otherwise, of a majority of the whole of the members. Upon a poll being taken, by means of voting papers sent to each member requesting to know whether he approved or disapproved of the decision which had been taken in the Chamber in the customary manner, the decision of the Chamber which had been given was negatived by the poll majority of two to one, and thus became inoperative.

Subsequently to December, 1888, it was felt that a temporary cessation from active agitation would be advisable, but I am not aware that any one of those who had taken part in the movement saw reason to change his views as to the necessity for Tariff Reform.

No active proceedings seem to have taken place from that time until the announcement of the conversion of Mr. Chamberlain, followed by the issue to the public of his scheme or programme recommending that import duties of 10 per cent. on manufactured goods and 5 per cent. on food stuffs

should be levied, accompanied by such a reduction of the existing import duties upon tea, sugar, and tobacco as would as near as possible equal in amount the rates to be levied upon manufactures and food stuffs.

It was evident that there were large numbers ready to adopt Mr. Chamberlain's programme, being satisfied that the change was justified by experience in other countries, and that it would be beneficial to Great Britain. On the other hand, strong objections were made by so-called Free Traders to any departure from existing practices.

The issue of Mr. Chamberlain's pronouncement and programme for Tariff Reform in 1903 was the signal for widespread discussion and controversy. Mr. Chamberlain's clear and intelligible scheme of moderate duties, which after extensive experience and observation he recommended as necessary in the interests of the nation, was immediately branded as "Protection" coming from a party steeped in Protection. It was condemned by the Fourteen Professors of Political Economy who produced in the "Times" of August 15, 1903, a Manifesto declaring Mr. Chamberlain's scheme to be of the nature of "Protection," in opposition to the principles of "Free Trade," branding it as leaving the plain rule of taxation for the sake of revenue only, and seeking to attain ulterior objects by manipulating tariffs.

From that time until the present, the war of words has been incessant from platform or in newspaper correspondence, but nothing has been arrived at which conclusively proves a case and settles argument. Now, this inconclusive condition in which the matter still stands is itself an evidence

that the actual nature of the case has not been represented or dealt with in a competent manner, because it is absolutely impossible that the forces or powers belonging to tariff or fiscal legislation are in themselves either so mysterious or so uncertain that they cannot be understood or grasped. The controversy rages between "Free Traders," who denounce the proposed change as "Protection," and those who, from observation of the changes going on around them in connection with our producing industries, feel convinced that a departure is called for in the direction indicated by the consensus of opinion of all other countries, including our own colonies and dependencies.

To refer again to the dinner of the Unionist Free Trade Club of November 21, 1907, Lord Cromer, in his speech, sets great emphasis upon the importance of retaining Free Trade. What is Free Trade? At the present time that is a very important question. It comes glibly from the mouths of numerous orators, but they all seem to carefully avoid explaining what it is. It is not Import without charge, because that is State-aided Import. It is not International Import without charge, because that is International State-aided Import. What then is "Free Trade"? Now there is not the slightest doubt that the country at the present time wants a clear and intelligible statement upon the two points, what is "Free Trade" and what is "Protection," given upon scientific grounds.

Lord Cromer falls into the same error of terming Mr. Chamberlain's programme a return to Protection. Lord Cromer is one who at the present time occupies a deservedly high position in the

esteem of the nation. He has, however, entered into a new sphere of action. If he is, as he has been designated, the most successful and most eminent exponent of Free Trade, he has certainly not attempted to make it clear what Free Trade is or how it operates to our national advantage, and until that is done, the teaching of the Unionist Free Trade Club must continue to be enveloped in obscurity.

It will be seen from this short sketch of what has taken place in the matter of Tariff Reform that it stultifies the statement of Lord George Hamilton on the 21st November, 1907, as given at the beginning of this chapter.

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CHAPTER IV.

THE STANDPOINT OF TO-DAY.

The standpoint of to-day, implying the application of all modern experience of developments, is undoubtedly the standpoint from which the subject ought to be dealt with. Great Britain has been aware, from the very beginning of the time when she undertook to give a lead to the commercial world by adopting a complete change of tariff laws, that all other countries have declined to follow her advice or example. Great Britain advanced the theory that entire abolition by all countries of import duties was a sound business proposition, and would be found to be the most beneficial. The immediate reply of other nations was that they did not agree as to its being a sound business proposition, and, in place of its being an arrangement giving benefits, they saw that the effect of it to them would be precisely the reverse—it would be disastrous. That being their judgment upon it, they acted accordingly. They declined to have anything to do with our proposals, and preferred to work out their own career upon fiscal and tariff arrangements which appeared to them to yield arithmetically superior chances of success for the development of their own home production.

It was thus that at the very initiation of Britain's departure in 1846 from the laws under which she had become the leading manufacturing nation of the world, the conviction of all the rest of the world was on evidence that they could not agree with her as to the soundness or desirability of import without charge. Great Britain determined to pursue the course she advocated, even if entirely unsupported by other nations, and was left isolated in her policy. What is now the result of over sixty years' experience of import of competing products without charge? It does not appear to be quite satisfactory to ourselves, hence the necessity for fresh scrutiny of fundamental principles.

It may appropriately be asked, how does it happen that, after the voluminous writings of those whom we refer to as authorities upon Fiscal and Tariff questions, we seem to be still groping in the dark, with our eminent men holding and defending doctrines which are diametrically opposed to each other? The explanation is that neither our modern eminent men nor the reputed authorities who preceded them have so investigated the subject as to arrive at the basic principles involved and to have exhaustively presented the true nature of the subject.

It is obvious that those writers upon political economy to whom we are in the habit of referring to as "authorities," such as Adam Smith, Ricardo, Spencer, and men of those times, had not the facts before them which we have before us to-day. Those authorities served a great and valuable purpose in the times to which they belonged, but it would be no more fair or judicious to say that the circumstances of to-day should be regulated by the limited

facts which came under their observation for consideration than it would be to say that in surgery or chemistry or electricity we should ignore the advances which science has made in modern times and rely entirely upon the knowledge and the views held sixty or eighty years ago.

It has been frequently claimed that the question of Tariffs or of Tariff Reform should not be treated as a matter of party politics, but should be regarded as one of national interest, and yet it has become a party question of the first magnitude. This is not difficult to account for. The science of Tariffs never was and never will be a party question, for the reason that scientific laws are universal. They have no regard for party or locality or race. They are true in their nature and operation and result in whatever portion of the globe they may be applied, and may be relied upon to produce due punishment when violated. It is customary, when an endeavour has to be made to secure the greatest number of votes, to make use of any subject or occurrence in such a way as to influence the popular mind, but science knows no politics, and it will be found that the truths of science are sure to assert themselves, in spite of all endeavours to distort or misrepresent them, while, through the mist which is certain to be raised by party antagonism, by the undue straining of statements on the part of keen and frequently not too well informed partisans on either side, there can be no doubt that the common sense of the nation desires that, whatever course be finally adopted, it should be one in conformity with sound theory, and in that case it will be in conformity with sound business principles.

Notwithstanding that Great Britain has pos-

sessed in the past writers upon political economy whose productions have been regarded by ourselves, and by the world, as leading lights upon such questions, yet the fact has to be recorded that the result of whatever tuition we have imbibed has been to cause us to take a course diametrically opposed to the conviction and the practices of all other leading nations of the earth, and opposed even to the conviction of our own Colonies. While we have stood isolated in our position, and grievously hampered by that isolation in taking advantage of the legitimate and natural advantages by which we have been in many ways surrounded, yet we have never ceased to vaunt of the superiority of our system, and to condole with our competitors, who have been outstripping us, over their shortsightedness in declining to adopt our superior methods.

Not only is it striking that the popular views upon fiscal and international theory have been so entirely in opposition within the United Kingdom to those which prevail outside the United Kingdom, but it is, further, extraordinary that in recent times—say, within the last twenty years—no work has emanated from any recognised authority or from any society advocating so-called Free Trade or advocating Tariff Reform which has undertaken to analyse and expound the laws upon which those different persuasions are founded, and by which they are regulated. We have had crowds of statistics from both sides. From the one side, they show that this country was never more prosperous, as indicated by figures of imports and exports which have never been surpassed. By the other side, statistics are given to show that we are

steadily losing our position in all foreign markets, and even in our own Colonies, while the state of our agriculture and home trade, on the average, exhibits a deplorable statement of depression, and the statistics of unemployment and emigration represent conditions of a most serious nature.

The case seems to stand thus, that practical men, who have been successful as producers or as merchants, very rarely attempt to theorise, while students who have not had commercial training, but who endeavour to theorise, find the impossibility of disentangling the puzzle on account of their not possessing practical knowledge of the elements with which it is necessary to deal.

On the face of it it does not seem possible, or even probable, that two systems which are diametrically opposed to each other can be legitimately based upon sound theory. With regard to the United Kingdom, we are aware that it produces a feeling of satisfaction when we see that our export trade is increasing. That feeling is only the expression, in another way, that we desire and look upon it as a matter of importance that we should have as extensive markets as possible abroad. Also, it must be admitted that all other nations are possessed with the same aspiration. That being so, we are all ready to prey upon each other, and mutually ready to acquire and absorb as much as we individually can of the trade to be done in neutral territory.

Those aspirations do not seem in themselves undesirable. They simply imply that every country is keenly looking after its own interest, and from the point of view that it is for the benefit of mankind that every country should aim at its most com-

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plete development, one cannot conceive of any plan more likely to achieve that result than the one under which each country or nation endeavours to do the best for itself. It is a system which establishes the condition of supplying the greatest and strongest incentive to work and to get on.

Under this system, then—the system under which every country is expected to look after itself and to do what is best for its own interest, and to pay attention that it does not, through any inadvertence, leave itself a prey to those outside, who would be justified, as they would be ready, to take advantage of any carelessness or blundering on the part of others, and who would themselves be treated in like manner—it behoves every nation to see that it presents no unnecessary openings in its armour, through which attacks are as certain to be made as that the openings exist.

There can be no doubt that the volume of our home productions for the home market has been for many years a diminishing quantity. For our export trade it has not been a positively diminishing quantity, but we are in possession of statistics to show that in the imports of the world Great Britain has not been maintaining that proportion of increase which has been enjoyed by our competitors. The features, however, exhibited in our export trade are not at present under consideration.

We have undoubtedly been losing our production for our home trade. While we have been jealousy watching the volume of our exports to distant markets, we have no statistics, and we have been paying no attention to the volume of production for our home market. This is only a statement of fact. But any one intelligently alive to

his own interests as a producer for the home market would wish to know why this diminution should arise. Here we have precisely the point desired to be elucidated. Why should diminution of production arise for the home market?

CHAPTER V.

POSITION OF INSTRUCTION IN POLITICAL ECONOMY.

As to books or works of instruction in Political Economy, it may be truly said that at the present time we have none of a clear, simple, definite, and reliable character to which we can refer. Amongst the works of the old authorities, such as Adam Smith, Herbert Spencer, Ricardo, Sir William Hamilton, and others, we find volumes of writing in the perusal of which it will be seen that those authorities were not in agreement amongst themselves, and a study of them leads more to a state of confusion of mind than to an arrival at the possession of definite information. It is a well-known fact that it is possible to make quotations from those authors which contradict each other, or, even in the pages of the same author, statements can be found which appear to be antagonistic. As an example, Adam Smith is held to have been in favour of import without duty, commonly (but erroneously) called "free import," but here is a sentence which presents a difficulty from that point of view.

Adam Smith, Book IV., page 204. He says:—

The second case in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic, industry is when some tax is imposed at home upon the produce of the latter. In this case it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock (capital) and labour of the country than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax into a less natural direction, and would leave the competition between foreign and domestic industry after the tax as nearly as possible on the same footing as before it.

Now it is quite clear that neither Adam Smith nor anyone else can have it both ways. Either import without charge is right in principle, or it is wrong. The "equal tax" referred to above is precisely in accordance with the resolution passed in the Manchester Chamber of Commerce in December, 1888, to which reference has already been made on page 28, and represents a principle the correct title of which is "Equal Incidence of Taxation."

It would seem to be only a waste of time to attempt to make quotations from these "ancient authorities." If there are not men of the present time, a time in which there is spread out before them all that the ancient authorities knew, plus the enormous developments which have occurred since the time in which they wrote, men with up-to-date experience, necessary to qualify them for the elucidation of those laws by which tariffs and trade ought to be governed, so as to result in the greatest possible national benefit, then I think the conclusion must be that we are a degenerate race. In any case, it is obvious that all the writings of those "ancient

authorities" have not been the means of saving us from a condition of uncertainty, or from passing contradictory legislation. Under those circumstances it does not seem a harsh or unjust conclusion to come to that instruction of any value does not appear to be forthcoming from our "ancient authorities."

As stated already, the science of Political Economy is incomplete and worthless, unless the arguments can be supported by arithmetical demonstration, and I am not aware that any of the writers within the last century have adopted the plan of demonstrating by arithmetical calculation the advantages or disadvantages of following one course or another.

In what way is that to be accounted for, unless upon the ground that none of them were capable accountants. The manner in which certain legislation, or a certain course of action, would result in actual transactions could have been shown in a "pro forma" manner as easily, in the hands of those economists, as it can be done to-day, but they made no attempt in that direction. It seemed sufficient to them to wander in fields of indefinite theory without reducing their theories to demonstration in a concrete form. They did not seem to like debits and credits, and the exhibition of a tangible balance of account. Possibly expert accountants were rather rare in those times, but, nevertheless, it remains, and emphasises my statement, that one who is not an expert accountant, as well as possessed of personal experience in production and commerce, is not qualified to deal with a question of Political Economy. For example, there is no difficulty whatever in taking as

an illustration the effect of purchasing abroad to the value of £1,000, either in blankets or wheat or horseshoes, upon the basis of a slightly lower price than the articles could be obtained at of British origin. Such a calculation can be made so as to be perfectly reliable, and to show the way it operates in its effect, both to the purchaser of the articles and to the nation. Those calculations will be found in connection with "State-aided Import" at page 152.

CHAPTER VI.

STATISTICAL INFORMATION.

In regard to the progress which has been made in dealing with statistics of trade, much good work has been done in recent years by the improvements introduced in Government returns, which provide much valuable information for the guidance of those whose business is in connection with foreign markets. But a further national value of the greatest importance has been added to our Government statistics by the ingenious and admirable manner of compiling them adopted by Mr. J. Holt Schooling in his "British Trade Year Book," of which the third edition has been lately issued. The lucid manner in which the course of events connected with our year-by-year loss of status in foreign markets, as compared with the year-by-year gain in the same markets on the part of our competitors, places before our legislators, if they will take the trouble to regard it, information of a definite and valuable nature, such as has not previously existed, and leaving, in fact, nothing more to be desired in the way of exhaustive statistical information.

Much greater attention has been directed to

statistics connected with imports and exports than in connection with our internal consumption, notwithstanding the fact that the aggregate value of business done for consumers in the British market is of five or six times the value of our export business. It has seemed to us to be of great importance to secure or to keep distant markets for our production, but it has seemed of no importance whatever whether we retained the supplying of our own market or whether we did not. This way of looking at things no doubt accounts for the fact that we have given little attention to statistics of progress or retrogression in the amount of production for our home market. Still, it is difficult to perceive why it should be considered of much importance that we should export largely of our production, and of no importance at all whether we supply the British market, or whether we do not. The manner in which we treat the British market, considered by all outside of our country the best and most desirable market of the world, is not simply with indifference, but, as will be seen hereafter, with special favour and reward to any other producer to relieve us of it.

It is just possible that had we been possessed of annual statistical statements on the scientific method of Mr. J. Holt Schooling, exhibiting annual falling off of our contribution of production for our home market, and the annual increase of foreign production consumed, it is possible that the nation might have become awake to the probabilities of the ultimate result to be expected from such a course.

CHAPTER VII.

TABLE

Showing the Approximate Position of Existing Tariffs upon BRITISH ARTICLES which the following Countries Import.

Approximate Import Duty per cent.		Estimated Revenue Rate for Establishment Charges.	Protection Rate against Imports.
130	RUSSIA	15	115
75	SPAIN	12	63
73	UNITED STATES	15	58
70	PORTUGAL	10	60
35	AUSTRIA-HUNGARY...	13	22
35	FRANCE	13	22
25	ITALY	12	13
25	GERMANY.....	10	15
23	SWEDEN	8	15
20	GREECE	7	13
18	DENMARK.....	6	12
13	BELGIUM	6	7
12	NORWAY	6	6
7	SWITZERLAND ...	7	0
0	GREAT BRITAIN	12½	0

In connection with this table, it is necessary to observe that in the case of all countries employing what is called a protective tariff, that tariff is divisible into two parts, therefore the manner in which it may be approximately divided is shown in the two columns at the right-hand side. The division of the total import rate into revenue rate and protective rate is made because the amount of tariff for revenue represents the cost of the market, and is not protective in character, while the remainder is protective in character. Therefore, it would be misleading to include the total under the head of protection while a portion of it is not of that nature.

CHAPTER VIII.

ELUCIDATION OF ERRONEOUS TERMS USED.

The difficulties which have attended the elucidation of the Fiscal Question have been:—

1st. The confusion of ideas caused by the inaccurate and contradictory titles given to practices which we employ.

2nd. To the want of the application of well-known rules or laws affecting calculations of the cost price of articles.

In a valuable and well-reasoned book by L. S. Amery, Fellow of All Souls' College, Oxford, entitled "The Fundamental Fallacies of Free Trade," it is stated (page 2): "Nothing has struck me more, in the course of the Fiscal controversy, than the failure of the majority of Tariff Reformers, even the most eminent, to 'corner' their adversaries to any real effect. The reason for this is that the attempt has not been made to clear the question from obscurity and complication by getting rid of false

titles. As soon as that is done it becomes easy to apply well-known incontrovertible laws recognised by every trading concern, and by this means all difficulties in dealing with the Fiscal Question are overcome."

Sixty years ago Great Britain started to pioneer the way and to induce other countries, and if possible all other countries, to adopt the system inaccurately called Free Import when applied to those articles which she admits free of charge and inaccurately called Free Trade even if other countries were to adopt the same arrangement.

Upon the statement just made, namely, that the terms Free Import and Free Trade, as we are in the habit of using them, are inaccurate and misleading, rests the elucidation of the fiscal question, and I submit that, in order to comprehend the position we take and the position which other countries take in regard to this question, it is indispensable first to correctly define the expressions we use, in doing which it will become evident that we apply the same term to acts and conditions which in their nature are entirely different, the result of which cannot be otherwise than confusing and misleading.

The following are illustrations of those misleading terms:—

1st. The term Free Trade we apply to that which is not free trade.

2nd. The term Free Import we apply to that which is not free import.

3rd. The term Protection we apply to that which is not protection as well as to that which is protection.

What I wish to demonstrate and to prove is--

1st. That there can be no such thing as FREE TRADE under any circumstances whatever. The popular idea of universal Free Trade is the assumption of a condition under which all countries would admit imports without any import charge, but I submit that the term Free Trade, as applied to such a condition, is absolutely inaccurate and misleading: the correct title of such a condition would be "Universal State-aided Import."

The argument in support of this statement will be found at page 51.

2nd. The term "FREE IMPORT," which we apply to those imports which we admit into Great Britain without charge, is equally inaccurate and misleading. The correct title for this practice is that these are "State-aided Imports."

The argument in support of this statement will be found at page 51.

3rd. As to the misuse of the word PROTECTION: how can it be productive of a correct knowledge of the subject, that we apply the same word to define conditions which are in their nature and operation absolutely antagonistic to each other; yet that is precisely what we do. Under the word Protection we habitually cover two actions, one of which means "giving," and the other "taking from."

The first (the act of giving artificial support to our home industries for home supplies) could, without error, be called Protection, but it is one which we do not practise, neither is it proposed to bring it into operation. The second part (the act of taking from or of placing those industries at an absolute

disadvantage in their own market, when compared with imports) means undermining by spoliation.

That State-aid to Imports in synonymous with spoliation to home industries for home supply is precisely what can be proven. Where we constantly misapply the word Protection is, when any diminution of State-aid is suggested, the proposed diminution is called "Protection." That is exactly where the error comes in. State-aid to Imports and Protection are diametrically opposed to each other, as much so as in arithmetic a minus quantity is opposed to a plus quantity, and still we habitually include both under the same title. Further proofs on this point will be found at page 115.

PROOFS OR ARGUMENTS ON THE PRECEDING THREE POINTS.

Thus far my object has been to show, without proof or argument, a bare statement of the lines upon which the subject admits of being treated, and I think it will be perceived that if these statements can be substantiated a different aspect will be given to the Fiscal Question from the one usually adopted. What I claim is that a careful analysis of the principles involved in a sound fiscal policy demands that we shall abandon incorrect and misleading appellations, and revert to those which really are in conformity with the actions they represent.

The proofs and arguments applying to each of the three cases before-mentioned may now be gone into, Nos. 1 and 2 being practically the same, the one being international and the other individual action of the same nature.

1st. That Import without charge, whether

practised by one country or internationally, is not Free Import but is State-aided Import.

To illustrate the truth of this, I instance what is called "Free Education." It is customary to use the expression "Free Education," but is it really free? How about the taxes which are levied in order to pay the entire cost of that education? In reality it is not Free Education at all, it is State-paid Education. An educational machinery has been set going by the State costing 16 to 20 millions per annum to run it. Taxes are levied in the manner found most effectual for the collection of the necessary amount, and education to that amount is given by the nation to the children. That the education has to be paid for to the uttermost farthing is just as certain as that the taxes for it have to be paid; consequently the arrangement is one which it is quite erroneous to call "Free Education." Its correct definition is "State-paid Education." In a similar manner there are working expenses for carrying on the business of the nation. These are mainly for the army, the navy, the charges for national debt, and for other items detailed in Whitaker's statement of the Budget at about 150 millions, to which have to be added Local Expenditure (about 50 millions) and Poor Rates (another 25 millions); in all, over 220 millions per annum, equal to about 4½ millions per week. That is the expense for keeping our place of business going, for carrying on the affairs of the nation. As to what the annual amount of business is, which is carried on for the internal supply of the country, no official statistics exist, although it has recently been brought before the House of Commons that such statistics should be supplied. The late Professor

Leoni Levi estimated the internal trade of the country (exclusive of production for export) at about 1,900 millions per annum. On that amount the annual cost of 220 millions for Establishment expenses represents about 11½ per cent. His estimate was that the Establishment expenses of Great Britain were about 12½ per cent. on the trade of the country. In the question of principle it is not of great importance whether it is actually 11 or 12 or 13 per cent.; there seems no reason to doubt that it is close upon these figures; therefore it will be sufficiently accurate to take it at 12½ per cent. This, then, constitutes the average charge upon the internal trade or consumption of the country for the carrying on of its affairs, and corresponds to the charge for Establishment expenses recognised in every trading concern in the world. In every warehouse, shop, hotel, or other place of business which deals in commodities, the cost of each commodity is the amount which has been paid for it, plus a proportion of the Establishment expenses. These include rent, taxes, management, service, maintenance, light, water, local rates, &c., &c.

Whether, in carrying out the details of our internal economy, we impose a higher rate of tax upon one class of article or production than upon others, it is only the average rate to the nation with which we have to deal in considering imports from abroad.

In regulating our internal taxation, no injury would arise to our home industries for home supply by placing heavier burdens upon certain classes in order to lessen the charge upon those of small income, but, take it all round, the nation has to provide the 12½ per cent. for expenses; and in deal-

ing with Imports, as soon as we charge less than $12\frac{1}{2}$ per cent. we provide State-aid to them along with inequitable treatment to home producers.

It is impossible to get away from the fact that there are these vast Establishment expenses for carrying on the affairs of the nation. We see that they amount to about $12\frac{1}{2}$ per cent., and there can be no question that all our producing industries for home supply bear their proportionate share of the Establishment expenses, and further there can be no question that these expenses form a legitimate portion of the cost of production.

What, then, is the position of the home producer for home supply when he pays about $12\frac{1}{2}$ per cent. in some form or other upon his production while imported goods of the same description contribute nothing? His position is that of giving $12\frac{1}{2}$ per cent. preference to imports. It is in this manner that goods imported into Great Britain without charge become automatically State-aided imports, other sources of revenue being additionally taxed in order that our market may be presented free of charge to foreign productions, a facility which is not granted to articles of home origin. The result of this is that home producers for home supply are taxed in order to enable foreign articles to capture the market and diminish the output of home producers. All producers are aware that a diminished output means an increase in the cost of what they produce, so that a position which is already crushed by preferential treatment given to foreign articles becomes additionally handicapped by home producers suffering a contraction of the area of the market which they supply. It is in consequence of this oppression or spoliation that numerous

branches of trade have disappeared and others are rapidly following.

The objection to State-aided Imports is not that it taxes one class to give apparent assistance (but not real) to another class, the objection to it is that it robs the producing industries of equitable treatment; it subjects them to spoliation, and is a means of transferring those industries to foreign countries, where, on account of their more astute and more sound Fiscal methods, they retain their own consumption for their own producers, and obtain ours in addition. If that be the result we are endeavouring to achieve, our system is admirably calculated to produce it; but, of course, in that case we need not be surprised at our increase of unemployed.

It is hardly possible to conceive of anything more opposed to sound business principles than for a nation to have a system of taxing its own producers and others to give preferential terms in its own market to foreign articles of a nature which it is as well adapted to produce as the foreigner, or frequently better. No country has yet found out how to have prosperity, and, at the same time, to kill its producing industries by spoliation; and no country will ever do so, because prosperity does not arise out of trade or imports, but mainly, if not entirely, out of Production.

Our industries for export trade do not find themselves in the same predicament, because the circumstances of competition in foreign or neutral markets are different; but so far as our home producers for home supply are concerned, they are placed in the position I have represented, and the astounding fact is that they do not seem to be aware of it.

The call has for some time resounded that

Britain must "wake up," and it would seem that our producers for home supply have no more important fact to which to open their eyes than the one I have stated, namely, that they are taxed in order to enable the foreigner to capture their trade, after which they are taxed again for the support of the unemployed whose occupation has been removed to the hands of the foreigners.

The foregoing shows that all countries being unavoidably in the position of having Establishment expenses for the carrying on of their affairs, the omission on the part of any country to charge upon imports the usual average rate for the cost of the market must at once automatically grant State-aid to that extent, and the imports are not free, but State-aided.

CHAPTER IX.

ON THE TARIFF THERMOMETER.

In order to place before readers a table which will demonstrate in as clear a manner as possible the position taken by Great Britain in her system of dealing with imports of a nature which compete against her home production, attention is desired to the following table in which use is made of the similarity between the Thermometer as an indicator of heat or cold and Tariff Rates with the influence they exercise on the condition of production.

Tariffs constitute the arrangement by which either encouragement or discouragement can be given to home production for the home market ; and here it may be remarked that to the greater extent any country, by means of judicious adjustment of its tariffs, secures the maximum production for its home supply, that constitutes the means of placing itself in the most favourable position for doing increased export trade. Principally owing to the fact that it leads to the largest possible production, which is the condition invariably accompanied by the lowest cost of production.

TARIFF THERMOMETER.

A method of exhibiting the comparative position of the markets of the world in the matter of their Import rates.

The Thermometer acts thus:	Import Rates as they exist.		Tariff Rates act thus:	
Deg.	Import Duty per cent.		Estimated Revenue Rate for Establishment Charges.	Preservative Rate of Import Duty for preserving or encouraging home production.
Heat 130	130	RUSSIA	15	115
,, 75	75	SPAIN	12	63
,, 73	73	UNITED STATES	15	58
,, 70	70	PORTUGAL	10	60
,, 35	35	AUSTRIA-HUNGARY	13	22
,, 35	35	FRANCE.....	13	22
,, 25	25	ITALY.....	12	13
,, 25	25	GERMANY	10	15
,, 23	23	SWEDEN	8	15
,, 20	20	GREECE.....	7	13
,, 18	18	DENMARK	6	12
,, 13	13	BELGIUM	6	7
,, 12	12	NORWAY	6	6
,, 7	7	SWITZERLAND	7	0 Equality of Taxation.
Frost $12\frac{1}{2}$	0	GREAT BRITAIN	$12\frac{1}{2}$	0 State-aid to Imports
To production		$12\frac{1}{2}$ %. State-aid to imports.		
no	charg	e on competitive a	rticles	NOTE {25 %. or 50 %. of State-aid to Imports could be given if desired.

It will be observed from the Tariff Thermometer that all countries, excepting Great Britain, charge upon their imports, first a revenue rate, and then, in addition, a protective rate. Switzerland charges only a revenue rate. The British market, although it is not free to British producers, is given free use of to imports. Thus the British producer bears the cost of the British market both for himself and for the foreigner. The cost of the British market comes to 12½ per cent. upon the consumpt of the country, and this rate legitimately forms part of the price of articles offered to consumers, whether produced at home or foreign.

The effect of obliging British producers to maintain a market at a cost of 12½ per cent. and to present it without charge to foreigners is to transfer our producing industries and the consequent trades and industries connected with them to other countries, the natural result being to create want of employment and suppression of production in Great Britain. Our system provides 12½ per cent. spoliation or frost to home production and 12½ per cent. advantage to foreign producers; so they get the production to do as well as the consequent industries connected therewith, while we lose both, in accordance with the inevitable operation of our fallacious tariff arrangement.

CHAPTER X.

CORRECT THOUGHT.

Many seem to consider that what is called right in Tariff arrangement or what is called wrong is only a matter of opinion, but a little reflection will show that that is not a correct view. There is a difference between pulling down and building up. So much will probably be admitted. Suppose you possess a number of buildings, and that you desire to have still more buildings. You order fifty men to be put on to erect additional buildings. But you find in a short time that the fifty men who have come on the job know nothing about building, that the only thing they can do is to pull down, and that they are doing it. What then? Will it answer the employer's purpose to let them continue pulling down? Certainly not. He dismisses them and obtains men who can build up, and he sees that they do it. There are many things in which we obey the laws of Nature because we are obliged to do so. There is no option in the matter. When the manner of the operation of the natural law is observed no one thinks of endeavouring to resist it. An eight-day clock is a very useful and reliable article, but not if you place it head down and pendulum

upwards. All sorts of plants can be successfully cultivated by observing and conforming to the conditions they require. The cleverest gardener could not make cabbage plants grow if he planted them in a bed of cinders with their heads down and roots up. There are certain conditions under which wheat growing and cabbage growing and the manufacture of all kinds of articles will thrive, but it is not advantageous to turn those conditions upside down or to place industries under legislation which is opposed to the requirements of their nature and to their existence, and then to expect them to prosper—legislation which is of that nature ensures failure.

Tariffs have the power either to build up or to pull down, and if the desire is to build up it is necessary to avoid the Tariff Construction which pulls down, consequently it is necessary to understand the nature of Tariffs and their ways of operating. Fortunately for us they act with uniformity. They may be depended upon in that respect as one can depend upon the rising of the sun or of the tide.

The true nature and powers of natural law in the matter of Tariffs is only to be found in the scientific basis of Tariffs.

The search for a scientific basis for Tariff regulation consists in the endeavour to arrive at correct thought upon the subject of Tariffs. Correct thought will indicate the means which will ensure to the greatest degree correct action and correct legislation. Correct thought cannot possibly exclude the nature of the aim and object for the accomplishment of which legislation is required, neither can it exclude a just and equitable consideration of all the interests which may happen to be involved

or connected with the subject, either in view of its character or in view of the condition in which it may be found to exist. The latter may call for modified action on the ground of expediency, the former, the treatment of the character of the subject, demands pure science.

It is with the inherent character of this subject, and consequently with the purely scientific operations of natural law as appertaining to international commerce, that the following observations are made:—

The leading features to note on entering into this subject are

1st. That every country which is on an independent financial basis is a unit, and is a market.

2nd. That every country has to be supported by means of expenditure.

3rd. The expenditure has to be raised by taxation.

4th. Therefore the cost of carrying on the country forms the cost of the market.

5th. The proportion which the annual cost of the market bears to the value of articles consumed annually within the country will give, in the form of a percentage, the average cost of the market on each transaction. For details see page 52. In Great Britain the rate is 10 per cent. and 15 per cent. For convenience I call it 12½ per cent.

6th. It thus becomes clear that every market is an artificial and at the same time a costly commodity.

7th. That in a commercial sense the cost of each

market has been incurred for the benefit of the consumers in each country where the expenses have been incurred.

8th. That on account of every market being an artificial and expensive commodity, supported by an adjustment of taxation upon the people, all imports admitted at a lower rate of duty than the average rate of cost are automatically State-aided to the extent by which the duty is lower than the average rate of market cost. They are State-aided imports.

9th. The principle of granting State-aid to imports could, of course, be given to any degree. It could be 1 per cent. or 10 per cent., or 20 per cent., or 50 per cent. on their value, according as it might be thought expedient. In every such case, whether 1 per cent. or 50 per cent., it must come out of the pockets of the nation, which gives the State aid. Taxation secures that it does so.

10th. In Great Britain we give State aid of 12½ per cent. to competing articles. That is the cost of our market, and we exact high import rates from tobacco, tea, sugar, cocoa, spirits, and a few other exotic articles.

On reference to the illustration of the comparison of Tariffs with the ordinary thermometer, Chapter IX., it will be observed that on the side which indicates heat and cold, only three conditions exist or can possibly exist.

1st. That of heat, which may be of any degree, from freezing point upwards.

2nd. That of cold, which may be of any degree, from freezing point downwards.

3rd. Neutral point—a position at which there is neither heat nor possibility of freezing. It is a position from which you cannot depart, either upwards or downwards, without registering some amount of either heat or cold.

In a similar manner it will be found on the Tariff side that there are only three conditions possible, namely:—

1st. That of presenting opposition to imports, which may be a low rate of opposition or a high rate.

2nd. That of presenting encouragement to imports, which may be a low rate of encouragement or a high rate.

3rd. There is the point between opposition and encouragement which is neither the one nor the other, it is neutral; it permits the access of imports to a market on precisely the same conditions as commodities of home production, and from this condition no departure can be made in either direction without producing either opposition or encouragement to imports.

To the first condition the word Protection is the word commonly used, because the intention in imposing it was to protect home labour and production from outside interference. It operates so as to attain that result in whatever degree is desired. It may vary from 1 per cent. up to 100 per cent., or 500 per cent., or any rate which

will secure absolute prohibition if so desired.

To the second condition the term State-aid expresses its nature, and therefore is the term which ought to be used, the reason being that the State places itself, by means of taxing the country, in the position to grant to imports a financial aid in the form of more favourable terms for the use of the market than the cost of the market permits the State to grant to its own producers and taxpayers.

To the third condition, the intermediate condition, the title is Equal Incidence of Taxation. That title expresses correctly and explicitly both the condition of equality and the operation by which that equality is produced.

The expression, Equal Incidence of Taxation, is one never heard in Great Britain, and the explanation of that circumstance is that the British mind has never realised the fact that equality of access to the use of any commodity or appliance can only exist when there is equality of charge for the use of it. If there is to be equality it cannot matter who the user is or where he comes from. Equal Incidence of Taxation will then operate thus: That every country in which equality of access to its market is desired will charge upon imports the same rate as the average ascertained cost of its market. If a lower charge than the average cost be made it is at once State-aided Import; if a higher rate, then it is at once Protection, to the extent either way by which it deviates from the average cost of the mar-

ket. The way in which that would operate would be thus: Suppose it were desired that goods should be exchanged on conditions of equality between Great Britain and Switzerland, the market cost of the former having been ascertained to be 12½ per cent. and of the latter 7 per cent., it would follow that all British goods going into Switzerland would be charged 7 per cent., and all Swiss goods entering Great Britain would be charged 12½ per cent., and in both cases it would be the correct charge for value received.

It has been erroneously argued that import without charge for market cost gives equality of access, but obviously it does not. This arithmetically-incorrect view will be found more fully dealt with at page 106.

From the point of view of the Swiss Exchequer, the responsible manager of the premises used for mercantile purposes was to see that those who used the facilities which it provided out of the pockets of the people should be charged equally in proportion, as nearly as could be ascertained, *ad valorem*, upon the goods which used that market. This arrangement, if carried out faithfully, would yield no protection to any home production, but would permit the imports to have access to the Swiss market upon the same terms as the Swiss home producer.

Suppose a case for example, that the Swiss market cost annually an expenditure indicated by the figures 100, and that the trade or consumption of the country represents a volume of business indicated by 1,400. If the whole of the volume of business indicated by 1,400 was supplied by native producers, the rate to be charged by the authorities for the cost of the market would be 7 per cent., because

7 per cent. upon 1,400 produces just about 100, and that is the sum required. But, again, suppose that instead of the native producers supplying the whole demand of the country, they only supply one half, that is, 700, and imported the other half—700—the tax upon the home producers will be still the same provided the imports pay their equal rate of 7 per cent.; but suppose they are admitted without paying any tax, well, then, the expense of carrying on the country remains the same, and there is no way to raise the money but by doubling the rate upon the home taxpayers, so they are obliged to pay 14 per cent. in taxes, and to be content with half the production, which necessarily raises the cost price at which their goods are produced. Some might be inclined to argue that as the consumers received by that arrangement cheaper articles, and that as the producers are also consumers no harm was done to any one, while the benefit was received of cheaper articles to consume. That is a fallacious argument, because the producers are taxed 14 per cent. upon all that they produce, while any relief they would receive as consumers would be only upon what they would consume, which would only be a fractional part of what they produced. Such treatment to the producers as that described would represent inequitable treatment.

But there is a further consideration which renders import without charge much more seriously disadvantageous still as a system, and it is that by reason of the increased cost of home production, arising from the two causes of higher taxation and diminished production, a higher price is maintained and rendered obtainable for the imported goods, and the consumer, in place of receiving the benefit of lower-

priced imports, which he is under the impression he does, is in reality maintaining a higher current market price for the imported goods than would prevail if the home production could be put on the market at a lower cost.

It must not be lost sight of that importers always take the highest price they can obtain, and it is well known that as soon as they have sufficiently killed any home production they can and will raise the prices to suit themselves, knowing that they have got the market in their control. In this respect, therefore, the belief that the admission of imports is a means of keeping down prices is based upon fallacy, because after all it is only a question whether prices would be controlled by home producers or by foreign producers, and there can be no question that, of the two alternatives, it would be better for the nation that they should be controlled by home producers, because in that case the labour, the benefit, and the profit, even if there were excessive profit, would remain and circulate in the country, instead of all three being removed out of it, which is the case when imported articles replace home production or manufacture.

Further observations upon the word "Protection" will be found under that heading.

The object of the present inquiry is to arrive upon solid and indisputable ground.

1st. We have seen that every market is an artificial and an expensive commodity. That cannot be disproven.

2nd. Markets are not all carried on at equal cost, and they vary considerably in their commercial value.

3rd. In consequence of their inequality of value

as markets, an interchange of markets without charge would be an interchange of commodities on the footing that they are of the same value, when it is well known that they are not of the same value. In the case of Great Britain it would operate in this way: that the British market being the best in the world would be constantly giving 1s. for every 6d. it received, or, at all events, giving more than it got in return.

4th. For that reason alone it is not a sound business proposition.

5th. But independently of that it is not a sound business proposition to omit to charge an item of ordinary business cost on the condition that you be treated in like manner by other nations. It is reducing business to a farce. No private concern in the world would ever entertain doing such a thing. Such a practice would constitute an interchange on a combined principle of cash and barter. Exchanging one market for another is barter. When the things exchanged are not of equal value, it would be unequal barter, in which the one who gave the better article for the poorer commodity would be the loser. But what is the origin of the whole proposal?

Why should barter be proposed as a method in refined commerce, when the cost of each market is known to its owners? Barter is not scientific. It belongs to a savage state which we are supposed to have left behind us. We have been endeavouring to impose it again, but other countries prefer to act on business terms of correct value in cash for

everything—so do our Colonies. We may practise one-sided barter if we will insist, but they will not touch it. It is neither scientific nor equitable.

SIMPLICITY OF TARIFF LAW.

It will be seen from the preceding how very simple and arithmetical are the arrangement and the progressive operation of degrees of Tariff encouragement or Tariff opposition to production. All that is necessary is to issue a legislative enactment that there shall be a given degree of encouragement to home production or a given degree of opposition to home production and the operation of these powerful contrivances is immediately set into action, and there need be no doubt that they will perform their work. If any country should decide that its best interests are to be served by having a minimum of production and a maximum of imports, all that is necessary is to grant a high rate of State aid to Imports, which, of course, at the same time implies heavy rates upon the taxpayer, because the market expenses have to be provided. It means also high cost of home production, which is always a great assistance to secure high prices for the outsider who supplies the imports.

But the automatic simplicity and the reliability as to result which are apparent in the action of Preservative Rates on the one hand or State aid on the other are quite symmetrical: as one could tell by a thermometer what amount of heat or what amount of frost existed in a greenhouse so could one tell or foretell by the amount of Preservative Rate or the amount of State aid organized by any country, whether the amount of production of that country would be high or low with reference to its capabilities.

CHAPTER XI.

THE INTERNATIONAL TARIFF QUESTION.

ELUCIDATION OF ERRONEOUS TERMS.

Prepared for the Society for Preservation of British Industries
By R. RALSTON BOYD, Vice-President.

Terms usually employed,		Meaning usually attached to and included in those Terms.		Correct title for the operations intended to be described.
A	Free Trade (International)	D	International entry, without Import Duty.	International STATE-AIDED IMPORT. 1 A condition in which each country importing State-aids the Imports by the amount of the cost of its own market.
B	Free Import	E	Import, without charge. As we have it in Great Britain in the case of those articles we admit without Duty.	STATED-AIDED IMPORT. 2 That is, Stated-aided to the full extent of the cost of running the British market.
C	Protection	F	An Import Rate lower than the cost of running the market: In Gt. Britain its cost is 12½°/₀	Partial STATE-AIDED IMPORT. 3 But still State-aided to a less extent than 2. *There is no protection whatever in this.*
		G	An Import Rate equal to the cost of running the market: In Great Britain 12½ °/₀.	EQUAL INCIDENCE OF TAXATION. 4 Giving our market as free to foreigners as to ourselves. *There is no protection whatever in this.*
		H	An Import Rate in excess of the cost of running the market.	A SYSTEM OF PROTECTION. 5 But only to the extent by which the Import Rate exceeds the cost of running the country. For example, in Great Britain the cost is about 12½ per cent. Therefore, an Import Rate of 15 per cent. would give protection only to the extent of 2½ per cent. Per Cent. An Import Rate of— Per Cent. 17½ would give protection only of 5 20 " " " 7½ 30 " " " 17½ 32½ " " " 20

It will thus be seen that all those terms usually employed in connection with the Tariff Question are erroneous and misleading. Import without charge is State-aided Import, whether practised internationally or otherwise. The expression "Free Trade," as it is generally used, represents nothing on this earth. It is only a terminological inexactitude.

Under the word "PROTECTION," as it is used in England (not elsewhere), three entirely different operations or conditions (F, G, H) are included, and to two of them the word "Protection" does not scientifically belong at all, and therefore has no right to be applied. To the third operation (H) it does belong, but only to the limited extent shown. It will be seen, when due consideration is given to the above facts, that there is no proposition before the country to introduce Import Rates involving "Protection." All that is proposed is a partial diminution of State-aid to Imports, and to that extent a restoration of EQUITABLE TREATMENT to home producers for the home market, of which they have been deprived.

A complete solution of Tariff troubles is easy when correct terms are used, when rules well known in every well-organized business concern are recognised, and when correct accounting is employed.

CHAPTER XII.

FUNDAMENTAL LAWS.

The first of these is Equity.

Any country which in its regulations or legislation for its producing industries, and for its commerce, neglects a strict observance of the law of equity, adopts at once a course of a low standard; it may be safely said one which will not stand the test of time, but will recoil upon its own head in the form of some sort of disaster on account of the absence of true principle. Production is the only source of wealth. That axiom has never been proven false. Can it be said that our Tariff system gives treatment founded upon equity to our home producers for the home market? That is precisely the point on which we have deviated, possibly without being aware of the fact, but they do not receive equitable treatment. It is well to bear that clearly in mind. Equity forms the spirit level and plumb line without which no stable commercial edifice can be built. We have neglected the use of them and have erected a rickety and exalted edifice which will collapse owing to its defects.

Production is the only source of wealth, and yet we accord to it that treatment which is efficacious

for no other purpose than to reduce production for our home market to a minimum and exercise detrimental influence upon our export business.

Without production there can be no trade. Production is the precursor and the parent of trade, not only in the time of the infancy of a country, but during its whole existence. It is itself the food upon which a nation lives unless upon capital. A rich country may experiment in that way, but the fact of its being an unsound and inverted system, supplies the reason why a young country without accumulated capital cannot attempt it. Even a rich country will find out in time what the result is of playing its cards unwisely. The absence of equity is synonymous with the presence of the reverse—injustice.

CHAPTER XIII.

PRESENT POSITION IN A NUTSHELL.

Having examined and analysed the fiscal methods we practise, we can now take an accurate view of the position into which Great Britain has drifted. It is evident that free import between independent nations is inherently an impossibility, and when that is once demonstrated any further use of the term becomes a FRAUD, misleading the ignorant into the belief that it is attainable or should be attainable. The only correct title for international exchange, without charge, or import duty, is International State-aided Import. Further, it has been shown that at present we have no free import into Great Britain; the imports which we admit, without charge, are State-aided Imports. The State-aid amounts to about 12½ per cent., and is a preferential treatment to foreign articles; it also gives spoliation to home industries for home supply.

The whole matter is now in a nutshell:—

The present British system, which is applied to all articles which we can produce or manufacture, is that of

STATE-AIDED IMPORTS.

If the same system were generally adopted by other countries it would be

INTERNATIONAL STATE-AIDED IMPORT,

which represents a system commercially unsound and ruinous to any country adopting it.

Now let us consider what are the issues before the country upon which correct opinion ought to be formed.

1st. We have so-called Free Trade, which is a mythical impossibility.

2nd. We have so-called Free Import, which is not free import, but is State-aided Import; a system of State-aid and spoliation.

3rd. We have the proposal of Mr. Chamberlain that Great Britain should adopt Tariff Reform on the lines of placing import duties of 10 per cent. upon manufactures, 2s. a quarter on corn, equal to about 5 per cent. on food stuffs.

To give consideration to those proposals it is necessary to point out that the

1st. Free Trade, by that, what is meant evidently is International State-aided Import, a system by which, if adopted, every country would be taxing itself so as to give better market conditions to outsiders than it could give to its own producers; from a commercial point of view a preposterous suggestion.

2nd. So-called Free Import, actually State-aided Import. Whether done by one country, or by several, or by all, the practice retains the same character as stated above.

3rd. Mr. Chamberlain's proposal. It is a practical suggestion of a policy which is undoubtedly in the right direction. It would

have the effect of diminishing the State aid which we allow on imports

From about 12½ per cent. on manufactures to 2½ per cent.;

From about 12½ per cent. on food stuffs to 7½ per cent.

Raw material would remain as at present, and I refer you to the chapter upon Raw Material.

CHAPTER XIV.

EQUAL INCIDENCE OF TAXATION.

There is a basis upon which Equitable Free Trade might exist, a basis which would provide neither State-aid to Imports on the one hand nor protection to home production for home supply on the other, and it is the basis of Equal Incidence of Taxation. That is to say, fully recognising the fact that every market is an artificial commodity and that different markets vary from each other in the cost at which they are carried on, a basis of Equal Incidence of Taxation would mean the admission of imports by each country on the condition of paying an *ad valorem* import revenue rate equal to the average *ad valorem* cost of running the market into which the imports came. This would represent Rational and Equitable Free Trade. It would grant to each and every foreigner the use of each market at its actual cost. It is a proposition consistent with commercial principles. It would cease to give any market to a foreigner on more favourable terms than to a home producer, and under it it could not be shown that any degree of spoliation was imposed upon home producers for the home market.

Naturally, under that system, imports of every description into Great Britain would require to pay import duty to the extent of the average cost of

running the British market, namely 12½ per cent., but it must not be imagined that the imposing of that import duty would be a disadvantage to the nation. The result would be quite the reverse. It would merely amount to the abolition of State-aided Import and at the same time the abolition of spoliation to home producers for the home market.

If the nation is going to govern itself by its elected representatives it is reasonable that the facts of the case should be placed before the nation. A system of legislation based upon destruction of production by means of robbery is not what the nation desires, but that is what exists, and the officers of State, as representing the head of a large business, will be obliged to look facts in the face in precisely the same manner as the head of any large private business establishment would do.

There exists no difference in the principles of business or of accounting required in the management of the affairs of the nation and the management of any large private business concern. At present the nation is managed upon principles which are not admitted, and could not be admitted, into any private concern, for the reason that they are absolutely unsound, unbusinesslike, and would not work successfully. If equality of market conditions is wanted it could be had under the operation of Equal Incidence of Taxation or Import Revenue rate for market cost, but what we have is not that, and it is not Free Trade or Free Import, but is State-aided Import, a system which operates in the reverse way to giving equal market conditions. It gives unequal conditions, the advantage being in favour of outsiders.

CHAPTER XV.

REBATE UPON EXPORTS.

When dealing with Tariffs on scientific principles, the manner in which exports should be treated is obvious.

National taxation, when broadly viewed, is for the benefit of the consumers of the country in which the taxation is levied. That being so, the consumers within a given country are not the consumers of what is exported from the country, consequently why should the exports contribute to the support of the country in which thev are not to be consumed? As manufacturers and producers we should always bear in mind that great advantage lies in producing the largest possible quantity. There is another point, that the goods exported will justly bear the taxation of the country where they will be consumed. For these two substantial reasons exports should receive a rebate at the time of export equal to the whole amount of taxation which they have borne in Great Britain for Imperial or local revenue purposes, either when imported or in the course of their production or manufacture.

CHAPTER XVI.

RAW MATERIAL.

The manner in which the taxable nature of imported raw material is usually regarded is entirely inconsistent with a scientific system of taxation and inconsistent with common sense. It is one which further has the disadvantage of opening the way to interminable differences of opinion and to insurmountable difficulties. If the idea be suggested of taxing raw material, the question at once arises what is raw material and what is not? Some raw material, such as cotton, we cannot produce; some we both produce and import, such as wool. Is wheat raw material? Is leather raw material? Prepared leather may be regarded as the raw material of the bootmaker, and so on, ad infinitum and ad absurdum. But consider the whole question from a sound starting point. The object of internal taxation is to raise revenue for national and local purposes. Such taxation is for the benefit of all consumers. The broadest basis for taxation is the best, it is the fairest. There is nothing gained to the country by exempting any article or class of article which the consumer uses. The wider and more comprehensive the area of

taxation, the lower will be the rate, and when the principle is carried out that all imports shall pay their equal share of market cost and that all exports of production or manufacture shall have a rebate of all, or nearly all, taxation which they have borne, the whole matter is simply and equitably arranged, while enormous facilities and advantages are gained, compared with the manner in which we proceed at present. Why should such articles as tea, coffee, sugar, tobacco, etc., be charged a very high rate of import duty, while wheat and foodstuffs and manufactures are State-aided to the extent of about 12½ per cent.? The practices we employ at present are incongruous and fantastic. They cannot claim to be founded upon any imaginable system, because in their different sections they represent either quite different ideals, or else none at all. The only solid and scientific basis of taxation being that consumers should pay according to what they consume, for the cost of carrying on the nation or market, that principle ought to be carried out with uniformity, and applied to everything they use. Upon that system of procedure, the cost of living would not be raised to the consumer, because the amount to be raised is in both cases precisely the same. The tax would be levied upon a greater number of articles, but the rate would be lower, and it would possess the most important quality of giving equitable treatment to our producing industries, a treatment which at present is not accorded to them.

Take the example of wheat. We grow wheat, and we also import wheat. The home-grown contributes nearly 12½ per cent. to the support of national and local objects. If we charged Im-

ported wheat 12½ per cent., then both the imported and the home-grown would be upon an equality. That we do not grow cotton, forms no reason whatever that cotton imported for British consumption should not contribute the same for the support of the British market that British-grown wheat pays.

A recognition of this principle, along with that of rebate of Taxation to Exports, would entirely dispose of the difficulties of the case, would not increase the cost to the consumer, and would gain many advantages through the resumption of equitable treatment to our industries. One of the advantages would be that our export trade of cotton goods, and, indeed, of every kind, would be placed upon more favourable conditions than at present, because under the rebate principle before mentioned export goods would in all cases be relieved from taxation which they now bear. Seeing that it is the case that we are relatively losing ground in all our foreign markets, the assistance which the above arrangement would provide, without costing the nation a farthing, would be of great importance.

CHAPTER XVII.

TRADE STATISTICS.

There are many who seem to rest the formation of their opinion upon what they would call the proofs derived from statistics. Undoubtedly correct statistical records, in all national or large and ramified business concerns, are of great value. The knowledge which may be derived from them, especially when handled scientifically, in such a manner as may be found in the British Trade Year Book of Mr. J. Holt Schooling, is immense; at the same time it should not fail to be recognised that such information is of the nature of the finger-posts which point the way. For example, statistics may indicate clearly and significantly that certain lines of commerce or production are either increasing, or stationary, or diminishing, but they do not supply information as to the reasons why those lines of trade or production exhibit those phases. In the consideration of those causes a vast deal is required, towards which statistics contribute nothing at all, namely, correct theory, based upon practical knowledge of the whole detail of each particular case. Statistics deal with results, not with causes which produce the results. In

science, everything must be thorough—knowledge of the subject to be investigated must be thorough. The application of that knowledge to the case must be thorough. Pre-conceived notions, tradition, and the usual slack way of dealing with ideas must be set aside. Statistics afford no information as to theory, or as to what violation of principles has taken place which has been the means of producing the results recorded. Just as the hands of a watch record the time, but that which is responsible for the telling of the time is not the hands of the watch, but the machinery behind them. If the hands, which are only the outward indication, go wrong, it is the mechanism which has to be looked to. So it is with trade statistics, if they be disappointing—the mechanism must be looked to which is responsible for having produced the result. Statistics form the diagnosis, but to find the seat of the disease and the proper remedy requires the specialist or expert in each different subject.

CHAPTER XVIII.

THE EXPENSE OF THE MAINTENANCE OF A MARKET.

A market may be correctly defined as being any community or population which stands financially upon its own basis, fixing its own taxes and expenditure, governing its own affairs, managing its own interests and development. If we glance over the globe we find countries in various stages of development. Some are only in the initial stage, which has always been that of grazing and agriculture for the production of the first necessary of life, food. Such countries possess no great accumulation of wealth; their buying power is insignificant, and their wants are few. There are other countries in which the wealth is great; their buying power is great. The wants of a wealthy nation are found to be in proportion to their buying power. Hence it is found that markets differ greatly from each other in value and importance, as places in which other countries may dispose of their goods.

To assert that markets should be all considered of one value is not a sound commercial proposition, because, intrinsically, they are not of one value; this fact, however, is more fully gone into in

Chapter X. The present consideration is of the correct manner of regarding the cost of a market, whatever that cost may be.

It is an astounding fact that in Great Britain legislation has been put into operation which entirely ignores, in the case of imports, the Establishment expenses incurred for the maintenance of the market which the imports are going to use. In the case of home production for the home market, this item of Establishment expenses is not overlooked. It is carefully charged upon producers and upon others, amongst whom the burden has been apportioned, in a manner similar to that employed previous to the introduction, in 1846, of the system of State-aided Import. The question arises, why was it ignored in 1846? It is obvious that ignoring, in the case of imports, the average market cost did not aid, in the slightest degree, in getting rid of the market cost. The expenditure for maintenance could not, and did not, diminish, but the volume of articles which contributed to the up-keep diminished. Consequently the rates charged were bound to advance, or else new sources of revenue found. Both methods were resorted to, but it would be difficult to obtain a satisfactory answer to the question: Why were Establishment expenses disregarded? In every other business in the world the Establishment expenses form an inseparable part of the cost of the articles which make use of the facilities supplied.

The Chancellor of the Exchequer stands in the position of providing the maintenance of the market. Upon a purely commercial view of the position, he would be bound to say that those who should pay the support of the market are the per-

sons who make use of it. In the case of home productions, the most inexpensive method of collecting the tax from the consumer is by levying the tax upon the producer, through whom it will be charged to the consumer in the price of the article, therefore he takes that course, and taxes the consumer through the producer. The same result would be arrived at in the case of imports by taxing the imports upon their arrival.

But when the Chancellor of the Exchequer deals with imports, he says it has been decided that the consumer shall not contribute to the maintenance of the cost of the British market, notwithstanding that the imported article may be of the same nature, and for the same consumers, as the British article. Here lies inconsistency.

These two regulations are in opposition one to the other.

If the consumer should pay for the support of the market, then the same charge should be made upon imports as is made upon home production. If the consumer should not pay for the maintenance of the market, then what is the reason for taxing the producer upon the value of his production?

This shows the contradictory nature of our own legislation. It does not appear that there can be any reason for imposing taxes other than that they are for the maintenance of the State or Establishment, and upon that basis it will be found that the only equitable method, and the only one consistent with sound commercial law, is that all articles which are presented in a market for the use of consumers should bear equally a proportionate share of the market cost.

To take an illustration, a weaving mill has its

Establishment expenses for rent, salaries, deterioration, power, and other items—suppose those come to 10 per cent. upon the value of the production. It makes no difference in the calculation whether three-quarters of the yarns used in weaving are British and one-quarter are foreign imported yarns. The Establishment expenses must be charged without reference to the origin of the yarns. So it is with the Establishment expenses of Great Britain—they amount to 12½ per cent., and are for the providing of facilities and advantages to consumers. Within our country, and amongst our own people, there may be various methods of allocating upon whom, or upon which class, the heavier part of the burden may fall, but in whatever manner that may be arranged, it cannot, and does not, alter the cost of the market or Establishment. The cost to the nation remains the same, and there is no room for doubt that any introduction of imports into the British market which do not contribute their due share of the cost of that market constitutes a violation of commercial equity towards British producers, the consequences of which are far reaching and serious.

The practice is one which establishes State-aided opposition to our own production, and is a method of expelling it from the country, along with the consequent trades which are invariably connected with production. It is a method also of expelling employment, not only in the original production, but the greater mass of employment engaged in the consequent trades.

To equalise or counteract the deficiency of revenue arising from the admission of competing articles which do not contribute their due proportion to the cost of the market, all the facilities of

which they enjoy equally with British-produced goods, such devices have had to be resorted to as placing enormously heavy taxation upon articles which we cannot produce. While it is obvious that competing articles should contribute their share towards the market they use, it is equally obvious that non-competing articles should not, on their merits, contribute more than their proportionate share. Some, perhaps, might argue that it would not be of much consequence, so long as the Exchequer receives the necessary amount, whether it comes from one source or another, but that is a mistake. It is a matter of getting the saddle on the right horse.

Our method is one which, by giving preferential treatment to imported over home production, is calculated to kill home production by means of inequitable treatment. It is a method of pushing out the home production by means which are commercially inequitable and unfair, it is a method of expelling, at the same time, all the consequent trade, it is a course which recoils upon the heads of consumers in the form of want of occupation, want of production, and want of spending power amongst the population. Such results are surely sufficiently serious, and while we are disturbed by the presence of these results in our midst, we seem unable to trace their origin to the true cause, and to take the only means which exist of recovering our position, namely, the eradication of our system of State-aided Import, and at the same time a diminution of our present high rates upon tobacco, tea, and sugar, which, in the case of more extended and more evenly distributed taxation, would be unnecessary.

The result which follows is the only one which

such a course is calculated to produce, namely, the destruction of each industry competed against, on account of the imported article having a position on the market more favourable by 12½ per cent. than any similar article made at home.

Iron, raw or manufactured, brought in without revenue duty undermines our iron industry,

Glass, our glass industry,

Silk, our silk industry,

Woollen goods, our woollen industry,

Beef and mutton, our cattle raising industry,

Agricultural produce, our agricultural industry, and so on through the whole list; and it impossible to find any article now which foreigners can make for us which they do not quickly supply. They see the advantage they have got in what we call our system. They keep for themselves their own market, the cost of which they have to bear, and they get the run of ours absolutely without charge, although it costs us over 230 millions a year to keep it going. That such a condition of things should exist is illogical, unfair, and unsound.

Suppose we were to charge upon all imports the same market dues which we ourselves have to pay, namely, 12½ to 15 per cent., there would not be a shadow of Protection in our doing so: imports would then only be on a level with the goods of the home producer; it can only be when higher import rates than the market dues are entertained that the question of Protection comes in.

In this lies the crux of the whole question. The point at issue is not one of opinion or of sentiment: it is entirely a question of figures, and correct accounting, as all business transactions are. All

the indications from our trades and industries show that the predictions that we are proceeding on the wrong line are being further verified every year. That result is the only one which can be expected from laying the axe at the root of the tree—the tree will come down. Our imports go on increasing, and our exports do not increase in the same proportion, or even diminish. What our industries are suffering from is not correctly named competition: it would be more correctly described by saying that we are giving them away, with a bonus, to whoever will take them. The country is the victim of a blundering calculation as to what it is that will make a nation rich, and while we search the ends of the earth to find markets for our production we adopt costly measures to get rid of the unequalled market we have at home.

The argument has been used that the financial position of a nation is different from that of any business concern because it does not produce or sell anything, but there are numerous establishments and businesses of which it can be said that they do not produce or sell anything. For example:—

The market places in country towns;
Stores for goods in transit;
Furniture stores;
Grain stores;
Docks, wharves, and harbours;
Railways, theatres, and places of amusement;
Places of worship;
Public halls for meetings, etc., etc.

All places of the above nature require to be maintained by making charge for services rendered, and a national market is in precisely the same position.

None of the above interest themselves in the slightest degree as to the country of origin of the goods or ships or persons availing themselves of the facilities supplied. They are treated all alike, and properly so. It is businesslike, and is the means of dispensing equitable treatment.

CHAPTER XIX.

CONSUMERS AND PRODUCERS.

It is necessary to take notice of the fact that there are many whose whole consideration is for consumers; who think that the best interests of the nation are to be served by supplying our market with articles at the lowest price. But in fairness to those who take that view, it should be asked, are they aware that the system we adopt is one by which we handicap our producers for the home market? Are they aware that the introduction of State-aided Import was the means of leading our producers for the home market into a TRAP? So long as there were no State-aided Imports, our producers stood on an equality, all equally obliged to support the market, so as to recover from the consumer the taxes which were intended from the beginning for the consumer. But after the introduction of State-aided Import, their position was entirely changed in the matter of the revenue charges which they had been called upon to advance on account of the consumers.

In consequence of the new legislation of 1846, involving unequal treatment in the matter of imports, without charge for revenue, our producers

ceased to have the power to recover the amount of taxation which they had advanced. There is no mistake that arithmetically that is the position. It is not a matter of opinion at all; it is a matter of correct accounting, and no power in the world can alter or disprove it. I believe that this is a point not at all understood, but it is a commercial matter, and all that I do is to present the commercial position of the case. If this point were understood, it seems probable that the sense of fairness, and the desire for fair dealing so often expressed amongst the British population would cause them to take steps to remedy so harsh an injustice, and one which is at the same time so costly.

Further, it seems very questionable whether our consumers receive any benefit at all from the arrangement. The outsider does not come here to sell his produce or his manufactures at the lowest price he can get, but at the highest, and it must be evident that high taxation upon production in this country, as well as high cost of production, from whatever cause, is the means of keeping up the prices in the British market, and enabling outsiders to realise better prices in our market than they would do if our producing cost were at a lower figure. From this point of view, and it is in accordance with ordinary commercial experience, our consumers do not receive the benefit of our State-aided Imports, but the outsider receives the benefit for which our nation is taxed, the most disastrous feature of the whole arrangement being the expulsion of our production, the expulsion of the consequent trades, and enormous effect produced in diminution of labour and national wealth.

Suppose it be assumed, in order to see where

the argument leads, that our consumers receive the whole benefit of the 12½ per cent., out of whose pockets does it come? Not out of the pockets of outsiders, but out of the pockets of our taxpayers. But does that represent a businesslike transaction? Does it not rather represent a national aid to consumers? Then who are the consumers? One-half of them probably are wealthy or well-to-do, and do not desire gratuities from the taxpayer. Neither does the legitimate artisan desire to be placed upon that footing, so that any degree of the artificial cheapness (if it exists) goes to consumers, the bulk of it goes to the wrong people, people who neither require it nor desire it.

But the idea cannot for a moment be entertained that the introduction of State-aid to Imports was designed to be a legalised charitable assistance from the nation to consumers. That is a character which was never claimed for it, and it is safe to say that upon that footing it would neither have been suggested nor obtained. But what we have to observe, and to deal with, is the fact that that is the nature and the effect of the operation we have invoked. There is no evidence that it assists consumers in any degree whatever. The gain goes to outsiders entirely, according to the natural operation of the forces which have been brought into action.

Of late years we have seen low prices for wheat, but the tendency all over the world has been towards a lower price. In the United States wheat stood at £10 8s. per ton in 1869; in 1897 it was £6 9s. In Berlin in 1869, £10; in 1879 it was £9 12s.

An average of sixteen years, taken about 1900,

shows: In London, £11 11s.; in Paris, £11 18s.; in Berlin, £10 8s.; while as to production:—

		1830. Millions of bushels.	1894. Millions of bushels.
France	produced.....	190	340
Germany	,, ...	50	117
Russia	,, ...	110	300
Austria	,, ...	65	180
Italy	,, ...	60	117
Spain	,, ...	58	100
United States	,, ...	78	454
Canada	,, ...	6	33
Australia	,, ...	2	40
Great Britain	,, ...	120	58

These figures bear out my statement that we have been deriving no advantage from our mistaken system, but have succeeded in expelling from the country our best and most essential industry, along with its accompanying consequent trades.

It all resolves itself into this: We have not only neglected production, but have penalised it. If production be treated with equity, and if otherwise placed in favourable circumstances for success, consumers must reap the advantage. If production be penalised and reduced to a minimum, there will be nothing of any kind for consumers. They will have to go to those regions where production is treated with equity, and that is precisely the transmigration which is taking place in consequence of our persistence in opposing the forces of nature.

CHAPTER XX.

TAXATION: ITS OBJECTS AND DESTINATION.

There are three kinds or classes of national taxation, each of which requires separate consideration.

Class 1. There is the Central Government or State Taxation, for the purpose of raising revenue to meet the requirements for military or naval purposes of construction or maintenance, buildings for State purposes, remuneration of Ministers and officers of State, and all outgoings of a generally national character for the carrying on of the affairs of a nation.

Class 2. There is Local Taxation for general purposes of local maintenance, usually termed "rates," including lighting, police, cleaning, support of poor, etc.

Class 3. There is that taxation which has no relationship to either of the above. It is for the purpose of exercising an influence upon the localising of production. A descriptive title for this class of taxation would be "localising tax," but, instead of giving it a descriptive title, which would have the

effect of removing all misunderstanding, the title of "Protection" has been given to it, a word or expression which is now generally applied, so as to include the taxation of Class 1—a class which has nothing whatever to do with Protection—hence a vast amount of misapprehension, disadvantage, and loss have arisen.

Remarks upon Class 1:—

State Taxation for Revenue purposes.—It has never been disputed, and I do not think will be now questioned, that taxation of this class is intended to be a charge upon consumers for the benefits they derive from the State. The consumers really constitute the State. The officers of the State, who manage the expenditure and the revenue, are virtually the representatives of the consumers, namely, the whole population. It is obviously to the advantage of consumers that the methods of collecting from them should be carried out with due regard to economy in collecting, as well as with equity. It has been found to be the most equitable that consumers should bear the revenue taxation in proportion to the value of commodities they individually use or consume. To collect on that basis equitable taxation from each individual is a physical impossibility. The cost of collecting would eat up the tax, but a system which is both equitable and practicable is to tax the producers of commodities upon the amount of their production, in which case the tax becomes an item in the cost of production, recoverable from the consumer in the price of the article produced and placed on the market. In this manner, the intention of the State is carried

out to its legitimate destination. The charge for revenue purposes falls upon the consumer, and the most economical and practical method adopted of collecting the tax.

Now it is necessary to refer to what took place upon the adoption in 1846 of what was called "Free Import." At that date the Government decided to abandon and discontinue not only the imposing of protective import duties, but it also decided to abandon the collecting of revenue rates upon imports. As I have already remarked, much evil can arise from calling a thing by a wrong title. The intention, no doubt, was to abolish Protection. Whether that is a right or a wrong idea, is not at present under consideration. The point at present to examine is, what was the nature of that operation of abolishing the tax upon imports for revenue purposes, and what was the effect?

The nature of the operation is that it applied contradictory legislation. While the State had declared that consumers should contribute to the support of the country in which they consumed, through the producers who supplied them, the State in 1846 practically declared that consumers might evade paying that contribution, provided they used imported articles. At the same time, the State did not relieve the producers in any way from the burden of taxation meant for consumers to bear. The State stopped short at the point of depriving the producer of the power of recovering from the consumer the amount of taxation he (the producer) had advanced to the State, trusting to recover it in his selling price. But that is where the producer dropped into a TRAP. So long as there was equality in the conditions under which the market

supply was produced and offered, equitable treatment existed, but as soon as preferential treatment in the matter of revenue tax was granted by the State to imports, and to imports only, the condition of equality ceased to exist, and the home producer had to continue to pay his taxes as before, while deprived of the power to collect them from the consumer.

In this matter, therefore, it is quite evident that in so far as the revenue portion of import duties is concerned, our producers are the victims of contradictory legislation. Equitable adjustment of the cost of anything demands that it should fall equally pro ratâ upon the persons or articles which use it.

An illustration of how this operates may be useful. Take the case of a weaving mill or factory for producing cloth. Some of these mills purchase the yarns they weave. Every mill has Establishment expenses, which means a rate to be charged upon the cloth produced, for management, use of power, light or water, maintenance of machinery and of buildings, interest upon capital, depreciation, taxes, rent, etc., etc. It is customary to ascertain what the rate per cent. amounts to upon the production which will cover those items. It may be, in some mills, 10 per cent., in other mills 15 per cent. or 20 per cent., according to the circumstances and the nature of work done, but whatever the average rate may be, it will be applied entirely regardless of the place of origin of the yarns which it may happen to weave into cloth. The place of their origin does not enter into the question at all.

In like manner, there can be no reasonable ground why imported goods which come in to make

use of the appliances of the British market (which cost about 12½ per cent. on every transaction effected) should not contribute pro ratâ for the value received in the use of these appliances. If they were to do so, there would then be parity of condition with the imported and the home-produced article of the same description. A parity of condition which is interfered with and upset, as soon as import without charge is permitted.

Remarks upon Class 2:—

Local Rates.—These represent a national revenue tax. These rates are managed locally, as it appears evident that local people will better understand local requirements, but taken upon the aggregate they represent the internal maintenance of the country, enabling it to be developed and utilised as a place to conduct business, therefore they form a portion of the market cost of Establishment expenses of carrying on the maintenance of the nation.

Remarks upon Class 3:—

Protection or Localising Tax.—This lies at present outside of the scope of the present inquiry. Tariff Reform, as at present entertained or discussed, does not enter into the region of whether we would have better chances of national success with Localising Taxes or whether we would not. Such taxation would, in any case, only have reference to articles which we are fitted to produce or manufacture. We cannot, by means of tariffs, localise exotic production in Great Britain, neither do we desire to do so. Seeing that the question at present before the country has only to do with revenue rates and the State-aid which we at present

grant to imports, the question of Protection or localising taxation may be left for future consideration.

NOTE.

It would seem scarcely necessary to remark that the word "consumers," when employed to represent the inhabitants of any specified nation, must not be held to include consumers all over the world. A State ought to be supported by its consumers, because its consumers are the only persons who in reality receive benefit from the State expenditure to which they contribute. This remark is necessitated by the manner in which we, in Great Britain, treat exports in the matter of taxation. As it is our system, and quite a sound system, to tax producers upon the amount of their production, as it may in so many cases be quite undeterminable whether the goods or production will be consumed in Great Britain or exported, the corollary of the statement that a country should be supported by its consumers is, that goods exported should not bear that taxation, or, at all events, only a small portion of it. It is obvious that exported goods, when they reach their destination, should then bear the expenses of the foreign country in which they are consumed; consequently a system of rebate in the case of exports of all, or nearly all, taxation which they may have borne is a sound and logical arrangement, one which would give better conditions for our export trade than those existing under our present system.

CHAPTER XXI.

THE COMMERCIAL MEANING OF THE WORD "FREE."

It is evident that there are various senses or meanings which may be attached to the word "free."

The air is free; sunshine, when there is any, is free. The increase yielded by the earth and by the sea are received free, only for the trouble or expense of collecting. To get a thing for nothing which costs nothing, like air or sunshine, is free undoubtedly, but to apply the word "free" to something received which costs money to provide, and that money is paid by some one else, seems to be a wrong application of the term. As a matter of fact, anything of use or value received at the expense of some one else is not free; it is a gift, and if the word "free" be applied in such a case the word is wrongly applied.

The wrong application of words seems to be a matter of very common occurrence, but we find from experience that to apply wrong names or titles or expressions does not alter the nature of the things wrongly named; it only leads to erroneous ideas and incorrect thought with reference to those

articles. There is nothing more fruitful of disadvantage, loss, and mischief than incorrect thought. We have an illustration of this in the application of the term "free import" to imports into Great Britain which are admitted without revenue charge. Those imports were called "free" when the system was adopted. It was the term which had been also applied to the same arrangement at a still earlier period, but when the correct descriptive term of "State-aided Imports" comes to be applied to such transactions it is readily seen that they are not "free," except at the expense of other persons, who have to bear the burden of supplying that immunity from charge which is granted to competing imports into Great Britain.

Does the British market cost anything to carry it on?

Certainly it does. About 250 millions a year.

Who pays for its support ?

The British taxpayer.

For whose benefit is it carried on?

For the consumer's.

Does the trade carried on for consumers carry the cost of the market?

Yes, it does, except in the case of competing imports—they pay nothing.

Then the revenue must be deficient, if a portion of the goods do not pay?

No. It is made up by taxing the others more heavily.

That explains the situation. Those imports which we call "Free" are not free, they are State-aided Imports. Then why do we not call them what they are? Even if the name was adopted in ignorance, why should the name be continued

when it only misrepresents the fact? Continue the practice, if it be desirable on its own merits, but give it its right name of State-aided Import.

The word "free" being wrongly applied in the case of imports without charge, it is equally wrong in the case of international trade. If such trade were carried on without charge for duty, it would be International State-aided Import. It is not to be wondered at that confusion of thought continues to exist when titles which are absolutely misleading are given to acts and practices carried on. The claim made by so-called "Free Traders" that their system "gets rid of the trammels upon trade which duties of any description provide" is absolutely the reverse of the truth. It gets rid of no trammels. It removes a just charge upon imports for advantages they enjoy, and does so by imposing upon others the load the imports should bear their share of.

It is difficult to understand how such perverted views ever got circulated, or how they ever got accepted in our country.

The idea seems to have been entertained that by the abolition of import duty, equality and uniformity in the financial treatment of home, Colonial, and foreign products of the same kind would be attained. But that equality is precisely what is not attained. It means rather the establishing of conditions of inequality, an inequality which is in favour of outsiders and to the disadvantage of the home producer. To relinquish charging a legitimate item of cost, in the hope that some other country would relinquish some corresponding item, does not indicate taking a businesslike grasp of a

business matter. It is hardly worthy of a better title than ignorant and idiotic simplicity.

With regard to the education supplied to children by the State at the expense of the taxpayer, a similar mistake is made of calling it "free education." That again is misleading. It is State-paid education, as the taxpayer knows. We seem to prefer to call it something which it is not.

One thing we must not fail to observe, namely, that neither other nations nor our own Colonies have been misled by our misapplication of the word "free." They have not permitted us, up till now, to make free with their property in the manner which we have not only allowed, but invited them to make free with ours. Their perspicacity has proved itself equal to the occasion. They have not been led to place belief in a quibble which represented as "free" that which is not free. Consequently, they have avoided falling into the trap which has proved such an expensive experience for Great Britain.

CHAPTER XXII.

STATE-AIDED IMPORT: ITS CHARACTER.

In preceding chapters, while touching upon different points of the subject of tariffs, it has been made apparent that the system we adopted in 1846, and which we employ at present, in Great Britain towards all competitive imports is that of State-aided Import. In this fact lies practically the key to the whole situation. Arithmetically, and upon lines of sound commercial accounting, it is so because the State, at the expense of the taxpayers, maintains an expensive commodity, the British market, and grants it without charge to imports only. To home producers, it is not given without charge; on the contrary, home producers and the nation are taxed more heavily in consequence of the exemption from taxation granted to imports. There seems to be no possibility of getting away from this fact or of raising up any logical defence for such a proceeding. That the producers and the nation should be taxed to give assistance or relief to consumers was never claimed or contemplated. But that is exactly what has been instituted, only with this addition, that the consumers do not receive the

benefit of the amount of the tax. It goes to those outside the country who supply the imports. That result is arrived at in the ordinary course of business. One of the causes of high cost in Great Britain is the taxation on production for revenue purposes. The higher the cost of production in Great Britain, whatever the cause may be, the higher will be the point at which the current market price is maintained, and consequently the higher is the price obtainable by those who supply imported articles. Theoretically, it is nonsense to suppose that our system of taxing the nation to give to imports our market without charge keeps down prices. We have any amount of evidence that it does not do so. Supply and demand regulate prices, while any scheme which has the effect of granting to outsiders a preferential use of our market is opposed to all ideas of independence, and also opposed to increase of wealth, production, and employment. It is a reversal of the means by which the British attained the position of being the leading commercial nation of the world prior to 1846.

A short recapitulation of leading facts will be here serviceable:—

Every MARKET owes its existence and maintenance to the annual expense at which it is carried on.

The cost of carrying on the British Market comes to 10 to 15 per cent. (call it 12½ for convenience) upon the (approximate) 2,000 million pounds' worth of articles annually consumed within the country. That cost is for the ARMY, the NAVY, and LOCAL EXPENDITURE, together about 230 millions.

What FREE TRADE means to us is, support-

ing a Market at a cost of 12½ per cent. on the consumption or business done within the country, excluding, of course, Exports, as they do not use this Market.

The support for our Market is derived from taxing our population.

The use of our Market, which costs 12½ per cent. to ourselves, we give without charge to Imports. This constitutes State-aid to Imports. It is a method of giving preferential Protection to the foreigner in the British Market and of pushing out the British Producer from the British Market. This is what is practised under the title of "Free Trade."

Is it a system which gives cheaper articles or cheaper living, either from an individual point of view or from a national point of view? It cannot do so in either case. It is entirely in the direction of driving work, production, and employment out of the country, jeopardising our position by making ourselves more and more dependent upon foreign supplies, and ultimately disintegration. Does it contribute towards the prosperity of the working classes or of the nation? NO! PRECISELY THE REVERSE. The prosperity of both depend upon having lots of work, employment, and production.

It has been frequently argued that Import without charge (erroneously called Free Import) removes trammels from Production. That is precisely what it does not do. It permits the unavoidable trammels of the cost of the Market to remain on the Home Producer while it relieves the foreign producer, thus creating a disparity between the two of 12½ per cent. in favour of the Imports. This creates nothing but a condition favourable to ruining the Home Producer, and then exercising the control of

the price of the articles, as in the case of the Beef Trust. In the end it means higher prices to the consumer and entire dependence upon Import.

If, then, as demonstrated above, Free Import is only a false and misleading name for what in reality is STATE-AIDED IMPORT, and if STATE-AIDED IMPORT implies ruin to Home Production for Home Supply and Employment by a process of expelling them from the country, then FREE TRADE is altogether a delusion and a snare. And, further, it shows that the prosperity which this country has seen since the adoption of STATE-AIDED IMPORT has not been assisted by our system of State-aided Import, but, on the contrary, has occurred in spite of it.

Why should we attribute prosperity to a cause which operates in opposition to the axiom that production is the only source of wealth, and why should we refuse to attribute that prosperity to its true and natural causes?

The causes of our prosperity after 1846 were the development by the rapidly extended application of steam to production in Great Britain, and to transit throughout the world. Forty and fifty years ago the wants of the world could only be supplied by Great Britain, consequently our State-aided Import system had not the power to counteract the rush of business which followed upon the rapid development of countries and the urgency of their requirements. Now, however, that we have the opposition of other countries in the matter of supplying the wants of the world, and when other countries do not choose to follow the idea that they should tax themselves to give preferential treatment to competing articles in their own class of production, we

begin to feel the want of our Home Trade, which we have been strenuously occupied in expelling from the country, believing, erroneously, that we derived benefit by so doing, and taxing ourselves in order to accomplish it. Now, the true nature and result to be expected from State-aided Import are asserting themselves, and we shall have to face the situation as it is, and not dressed up in fancy garb and colouring to which it has no claim, but which have blinded the eyes of the nation up till now.

Upon Exports a rebate of taxation is an essential feature of a sound international tariff policy, as fully explained in Chapter XV.

There can be no doubt that the cost of the maintenance of any country or market at once invests it with a commercial significance which must in every country be recognised. The market itself is a mercantile article. No market is free to its own producers; why then should that costly commodity, the market, be supplied without charge to outsiders? It gives them an advantage at the expense of the nation which imports. That is arithmetically so.

Devices have been resorted to for the purpose of shifting burdens of taxation from one class of persons on to another, but such devices never diminish the cost at which the market is carried on. The national machinery has been disorganized by means of preferential treatment to outsiders. Nothing will suffice to rectify the mistake but the restitution to British producers of equal right to their own market.

It has been argued that State-aid to Imports is not a correct definition of our system, because we do not give aid in cash to imports. An aid to a

hungry man may either be a dinner or the price of a dinner. The aid received by the grant of a market without charge has been vastly better for the outsider than even "equal freedom" to the market would have been, although accompanied by a present of 12½ per cent. in cash on the value of the imports, because the aid in kind has proven to be too elaborate a calculation for us to understand, whereas a payment in cash would hardly have been continued for 60 years. There is just a probability that it would not have been entertained for five minutes.

At present we give no State-aid to Imports in excess of a gift of the market cost, of 12½ per cent., but we could easily increase it. The method would be to impose additional taxes, beyond what we have now upon the taxpayers, so as to give to imports a presentation in cash in addition to giving them a free market. If State-aid of 12½ per cent. in the form of a Free Market at our expense be a beneficial thing, a fortiori, doubling the gift by doubling the tax to provide the gift would be better for the nation. Naturally it would increase the burden upon the home producer, and upon the nation, to the result of further increasing our cost of production, but if what we at present do in that direction be right, how could it be wrong to advance in the same direction?

It is one of the immutable laws that State-aid to Imports is a principle actively antagonistic and wanting in equity to Home Production for Home Supply.

It constitutes a Bounty to Imports provided by taxing ourselves.

We have objected to Bounties on Exports (sugar) when granted by other nations at their own

expense. What is our position when we tax ourselves to provide a Bounty to Foreigners to capture our Home Markets?

Upon reflection, it will be realised what an enormous power lies in this arrangement to artificially depress and destroy our Home Industries. It is an all-round losing transaction, for consumers, for employers, for employed; and this system of voluntary self-destruction is carried on by national contribution.

If we were to call our free imports by their right title of State-aided Imports, it would go far to enlighten the nation upon their true character and tendency.

The question of the distribution of wealth forms a subject for separate consideration, but it can hardly be argued that it is in the best interests of a nation to take active measures to prevent the creation of wealth by means of national opposition to production and employment, yet it is the course we pursue.

CHAPTER XXIII.

PROTECTION: SCIENTIFICALLY ANALYSED.

Having found that under the microscope the correct descriptive title of the system we employ is that of "State-aided Import," it will be well to subject the expression "Protection" to a similar examination.

It is usual by those who call State-aided Import free import to stigmatise Protection as wicked, extortionate, or leading to extortion. But then it is at once obvious that import duties which are for revenue purposes, and which are not in excess of the market cost, but represent really a charge for facilities supplied, and without which the market could not exist—it is obvious that such revenue rates are not protective at all to the home producer. They are not protective in the sense of bolstering up home producers, for the reason that an import duty which would only have the effect of placing home and imported articles on a financial equality on the British market cannot possess the power of bolstering up any British producer. The very fact of no discrimination being made between duties which are not protective in that sense, and the duties which certainly would be protective, shows how little the

matter is understood. To give an illustration, the policeman in the street, who is there to stop thieving, does not, by the fact of stopping thieving from shops, bolster up the profit of the shopkeeper. It does not put a penny in the pocket of the shopkeeper, the fact that thieving is prevented, yet if it were not for the protection afforded by the policeman he probably would suffer grievous loss. State-aided Import is the system which does the thieving, yet in the judgment of those who have not carefully examined the matter the proposal to diminish thieving is branded as a process of protection which will bolster up and unduly inflate the profits of the producer. It is hardly possible to imagine a statement more opposed to the facts of the case. It is as plain as daylight that revenue rates, based upon the cost of the market, are not in any way or form protective rates. No import rate can be protective to a home producer until it represents a higher charge upon the outsider than the national rate for market cost. Having thus cleared the ground, so as to distinguish what rates are not protective from those which are protective, what is the nature of the latter? Are they always wicked? Let us see what their intention is, and also what offices or services they perform. Why have other countries got protective rates? Have they been imposed simply for the purpose of raising prices against the consumer? That is sometimes asserted, but it seems an extraordinary assertion in face of the fact with which we are well acquainted, that in those countries where they have Protection the desire is quite as strong as it is in Great Britain to study the welfare of their inhabitants. The truth is that those rates which we call protective are not imposed for the purpose of

raising prices; they are imposed with the intention of retaining in their country the greatest amount of production and the greatest amount of employment which it is possible for them to have. That is also the direction in which Protection operates, and it does not matter whether it be in a new country or in an old country. Protection is the means to secure the maximum of employment and production; State-aid to Imports is the means to secure the minimum. Equal Incidence of Taxation—that is, making a charge upon all imports of that import rate which has been ascertained to be the cost of the market which imports—is the intermediate condition which neither exercises Protection nor gives State-aid, but grants equality of access to the market to all comers, whether home producers or outsiders.

The following shows clearly how the matter stands:—

Our rate of fixed expenses for Army, Navy, and other things is, according to a late Professor of Political Economy, 12½ per cent. upon our turnover. Accepting that figure for calculation, Free import means 12½ per cent. bonus or premium offered for the destruction of our industries; 5 per cent. import means 7½ per cent. bonus or premium offered for the destruction of our industries; 10 per cent. import means 2½ per cent. bonus or premium offered for the destruction of our industries; 12½ per cent. import means equality as compared with Home Production, and therefore nothing actually destructive to our industries in its tendency; 15 per cent. import will give 2½ per cent. of a Protective rate; 20 per cent. import will give 7½ per cent. of a Protective rate; and so on; therefore it will be

clear that to apply the word Protection to any import rate below 12½ per cent. shows simply a misapprehension of the term, as, from an accountant's point of view, there is not only no Protection in it, but, on the contrary, a bonus or bounty to outsiders, inviting them to use our market at less than it costs us to run it.

Free import means 12½ per cent. Destruction.

12½ per cent. import means Equitable Treatment.

17½ per cent. import means 5 per cent. Protection or preference to our own people to the use of their own market. This is a question of accounting, not a question of opinion. It cannot be disproved. Of course it can be disregarded, and saddle our commercial punishment upon the wrong horse, but that will not be found to improve matters. A wiser way would be to examine the statement, and, if it cannot be disproved, act upon it.

At present there is no question of Protection before the country. We have the proposal of Mr. Chamberlain, in which there is not a vestige of Protection. What it would effect would be a very considerable diminution of the State-aid which we are giving to imports, and consequently a corresponding diminution of the spoliation to home industries for home supply, but Protection does not exist in it.

It is claimed by many that our present State-aid system has brought prosperity; but as that system is nothing but a destructive influence to home production, it is absurd to claim for it that it has been the cause of our prosperity. It seems now to be almost entirely overlooked that in 1846, when we

adopted State-aided Imports, Great Britain stood pre-eminent as the leading commercial nation of the world, and that position had been arrived at under the same conditions as those under which other countries are prospering now. The causes of our prosperity after 1846 were the development of steam power and transit, and the fact that we had the most advanced appliances for production. Bismarck was no friend of State-aided Import, and Disraeli said, "I believe that our commercial system is founded on erroneous principles, and that by opening our ports we have adopted a course which tends to the depression of British industries."

Under our present system we find that we cannot place ourselves upon amicable commercial relationship with our own Colonies; we are feeling the pinch of accumulated proof that a grand-sounding, but erroneous, title to our fiscal arrangements does not prevent our experiencing the ruinous effects of State-aided Imports given in favour of all articles which we can ourselves produce or manufacture. The first step towards an improved condition would be to give our present system its correct title, and cause our people to realise the facts by which they are surrounded detrimentally affecting our agriculture and our industries, and producing masses of unemployed.

Now, I think it seems to indicate an absence of knowledge of the tariff question:—

First, to name as "Protection" revenue rates which are designed to meet the cost of the market, and which are not protective.

Second, to stigmatise as wicked and artificially bolstering up, those rates the intention and

the effect of which are nothing more than to provide and secure for each population their maximum production and employment.

There sometimes will be stages in the establishing of industries, before home competition has taken hold, when somewhat higher prices will have to be submitted to than the prices at which similar articles could be imported from some other country with an established industry, but it will be found, by correctly making the calculation, that it is vastly more profitable for a nation to produce the articles, even at the higher price, if that should be temporarily so, than it would be to import them at a lower price. National gain is the point to aim at. If the nation derives benefit, consumers will reap the advantage. If the nation is made to suffer through oppressed industries, the working man will be the first to feel it, because, without production, there can be nothing for any one.

CHAPTER XXIV.

STATE-AIDED IMPORT.—ITS EFFECT.

A State possesses no money except that which it raises by taxing the inhabitants. The relief to imports, when they come in without charge, is provided for by taxes in other directions. The imports are for the use of the population, so that we tax the population on the one hand and relieve the population on the other hand to exactly the same amount. There is no national gain or loss in that transaction, but there exists something in the manner in which the taxation is allocated upon the population which is supposed to be beneficial to those of small means by placing a heavier rate of taxation upon those of larger means. The question is, does that really benefit those of smaller means? The operation of the system is to give preferential terms to imports, consequently to diminish our home production, through which it deprives our working classes of occupation. When we bear in mind that a nation can only flourish by the expansion of industries, the moment it is observed that industries contract instead of expand, there is something wrong, and the first who feel the effect of diminishing industries are the working classes;

therefore it is most vital to them that the industries upon which they are dependent should not suffer inequitable treatment or spoliation through better terms being given to foreign goods, but that our home industries for home consumption should be in a position to prosper and expand.

Thus it becomes evident that State-aid to Imports, instead of being a benefit to the working classes, becomes their ruin.

No nation ought, in its own interest, to permit anything to take place which will interfere with the expansion of its own industries, because in that expansion lies the prosperity for the working classes which constitutes prosperity for the nation.

By thus analysing and following the operation of State-aid to Imports we find that it is an arrangement of an injurious nature, forming a direct attack upon the industries, and aims at their destruction. The removal of it would not institute Protection in any form whatever, therefore it would be to the best interest of the working classes to call for its cessation.

The prosperity of an individual or of a nation depends upon the aggregate of the commercial transactions resulting favourably.

In the case of an individual, the above statement and also the process by which his prosperity is attained, are well enough understood. If a man gets on in the world, it is by engaging in transactions in which he finds a balance of cash in his favour. In the case of a nation, the proofs of prosperity are increasing agriculture, increasing industries, increasing production, increasing population. The powers of consumption of any nation are regulated by the numbers and the habits of the

consumers. Whatever the amount of the consumption of any nation, it is, of course, only a certain quantity. It may be ascertainable approximately in value if the means are taken to do so, but in Great Britain we have no statistics on the point. We know pretty accurately what our imports and exports are, but we have not taken account of the precise value of home produced articles which are consumed in Great Britain. It seems hardly necessary to produce statistics to show that within the last thirty or forty years the consumption in Great Britain of foreign articles has increased enormously in the very articles which we are fitted to produce. A very important question is under what circumstances and conditions has the increase in such imports taken place. Take, for example, the instance of wheat. Our production has gone down from seventeen million quarters in about 1870 to six to seven million quarters in 1907.

It cannot be argued that we cannot grow seventeen million quarters, because we have done it before, and could do it again. If we could produce seventeen million quarters why do we not do so? Why has our quantity gradually diminished to between six and seven million quarters? The reply will be that other countries can produce cheaper and our producers have been undersold. That is so. They have been undersold; and between 1885 and 1902 in the lists of failures throughout the country, farmers were always near the head of the list for being the most numerous class. What have been the conditions under which farmers have been placed by the Government? Well, the farmers, like every other producing industry, have had to contend against State-aided opposition to

their industry. The State decreed that outsiders should have access to the British market without charge, but to the home producer the charge upon wheat would be about 4s. per quarter. That 4s. per quarter was for the maintenance of the market. It represents about 12½ per cent.

Now, it has been ascertained that there are countries which ship grain to Great Britain where not more than 6d. per quarter is imposed for State purposes. The transit in bulk does not involve a heavy charge. Grain has been transported at almost nominal rates, but assume 1s. per quarter and 1s. additional for labour, imported wheat could be laid down in Great Britain with these charges amounting to 2s. 6d. per quarter, while the charges to the British producer are 4s. per quarter for market maintenance. Thus even supposing the wheat costs precisely the same for production as it does in Great Britain, the British grower can be undersold by 1s. 6d. per quarter on 36s. per quarter, or 5 per cent. Now, this is not a case of the British producer being undersold by reason of cheaper production abroad, but by reason of the tariff conditions under which he has been placed, and the question at issue is not whether cheaper wheat can be grown abroad which it is better for our consumers to enjoy, the question is whether by tariff regulation a country is justified in taxing the nation so as to establish artificial opposition to home producers by giving more favourable conditions to outsiders than are given to home producers.

Clearly, the answer to that must be in the negative. Two and a-half per cent. on a transaction, or even 1 per cent. is often sufficient to divert a tran-

saction from one channel to another, so that if we give to outsiders an advantage of 5 per cent., they do not bestow it upon the British consumer. Not in the least likely. Their business is to drive the hardest bargain they can and to secure the whole of it for themselves if they can, and that is what they do. The effect, therefore, of State-aid to Imports in the wheat trade is to establish at our own expense conditions favourable to the extinction of our wheat-growing industry.

Of course, a revenue duty of 12½ per cent., which represents the market cost of about 4s. per quarter, would restore equal conditions of access to the British market, but would that rate of import duty prevent the British farmer from being undersold? Perhaps it would not, because the lower price at which wheat can be produced abroad would permit of it paying the 12½ per cent., and still underselling the British producer. But in that case 4s. per quarter would come into the British Exchequer without raising the price of wheat. In any case, we have lost our wheat industry. We have driven our population off the land, and during the time we have effected those changes we have been practising a system of taxing the farmers and the nation so as to give better terms of access to the British market to outsiders than we give to our own people. The claim has been made that entry without charge is equal entry, but that is absolutely false. Equal entry can only lie in equal charge to all comers for the use of the British market. This describes and refutes the claim on the merits of the case. That our farmers are undersold is evident, and one reason for it is that we have made arrangements that by means of taxation their posi-

tion is made more assailable ; but there is a further consideration, and it is this: when business is handed to outsiders which could be executed in Great Britain, the loss of the consequent trades, which are inseparable from production, are also lost to this country. For the consideration of the whole consequences of the transference of business to outsiders see Chapter XVII.

CHAPTER XXV.

REVIEW OF THE EXISTING POSITION.

While there are some other points in the Tariff question which require consideration, and which will be dealt with later on, it will be well now to take stock of the position arrived at. Different aspects of the nature and operation of international tariffs have been examined—which has been rendered necessary by reason of the inaccurate terms ordinarily used, and of the distorted views which prevail.

In two respects we have committed mistakes of a glaring and unnecessary kind. First, we have held it up as an ideal that markets should be exchanged against each other on the basis that they are of equal importance and value.

That ideal will not stand investigation, because they are not only unequal, but are all different from each other. To endeavour to entertain commercially that things are equal which are manifestly not equal is an absurd proposition. In the second place, even upon the supposition that all markets are precisely of the same value, it would not form a sound commercial proposition to suggest that a substantial item of cost in the supplying of commodities to consumers, namely, the cost of the market, or the Establishment expenses of the

market, should be ignored, in the case of imports, by all countries. It is the suggestion of a practice which would entirely dislocate commercial operations. It is opposed to the ascertaining of the correct cost of anything. It would be a system intolerable in any private business, large or small. It is not a suggestion which has emanated from any individual or source possessing a practical knowledge of commerce and commercial accounting. In 1846, by one decision or act, namely, that of adopting the system called "Free Trade," the following changes were effected:—

We ABANDONED our power of retaining production and the consequent trades within our country.

,, ,, upon competing imports equality of taxation for revenue purposes for maintenance of market cost.

,, ,, our bargaining power with our Colonies and with other countries.

We ESTABLISHED the principle and system of State-aided Import.

,, ,, a ban of extirpation upon home production for our home market by means of spoliation of the home producer.

,, ,, conditions under which the importance of home development became disregarded and everything foreign became preferentially treated.

,, ,, the recognition that things essentially unequal should be considered commercially equal.

,, ,, disregard of patriotic sentiment.

,, ,, playing for disintegration and national destruction.

The clear and unrefutable fact with which we have to deal is, that in 1846 the system we adopted was a system of State-aided Import.

The aid which is given to competing imports, and which is not given to the home producer for the home market, is equal to about 12½ per cent.

The arrangement is one by which the power of tariffs is employed to oppose and stifle home production for the home market. In a public speech Mr. Gladstone said:—

> We do not regard with any satisfaction a system under which an artificial advantage is given in our markets to the products of foreign nations. Some people say it is a good thing because the consumer gets the benefit of it, but I do not think that any benefit founded on inequality and injustice can bring good even to the consumer. (Ministerial cheers.)

Judging from that remark by Mr. Gladstone he seems to have had no appreciation of the fact that our whole system of tariffs since 1846 has been and is precisely of the nature of creating and giving an artificial advantage in our market to the products of foreign nations. We have in the above statement the opinion of Mr. Gladstone that such a course would not meet with his approval, but in some way his eyes were not open to the fact that what he expresses disapproval of is precisely the system we have got.

The conspicuous feature in connection with our Tariff and Fiscal legislation has been the absence of correct thought based upon accurate commercial knowledge, experience, and accounting.

There are numbers of educated people who are not qualified to dissect a commercial problem such as that of the operations of tariffs and their in-

fluences upon transactions. It forms no disparagement to men of classical or professional attainments that they are not experts in commercial matters or commercial theories. It simply implies that in commercial matters, which demand practical experience and a knowledge of accounting, they are not specialists, not having given study to the science of commerce. After all, the matter has to be settled in accordance with science, or it will be badly done. Whatever steps it may be considered best to adopt on the ground of expediency, they must be in accordance with and not in violation of correct scientific principles. As in treating statistical statements, we must not trample upon the ordinary rules of arithmetic, so in inter-Imperial arrangements we must not trample upon equity nor upon correct accounting in relation to national results.

The power is immense which the system of State-aided Import gives of destroying production and employment in Great Britain and of transferring them to other countries, while at the same time it is not productive of any cheapness or advantage to the nation. Traders possess no interest in consequent trades or in the circulation of money in the country; they regard only an immediate tangible profit in supplanting home production with foreign production, under the conditions of advantage which the nation taxes itself to provide them with. Every transaction they make removes all the consequent industries as well as the one in which they engage. The profit to the nation in all this arrangement is nil. The loss is enormous in employment, in production, in independence, and in many other ways.

It appears that the intention in admitting imports without charge for market cost was to arrive at equality of access to the British market. To allow a free field and no favour. But it seems to have been outside of the knowledge and experience of those who advocated and passed the legislative Acts, that the fact of a market being an artificial commodity, and for which payment is due by those who use it, equality of entry does not lie in the condition of admitting imports without charge. Equality can only be found in all who use it paying equally. Consequently, the adoption of what was designated Free Import was the adoption of a principle of inequality and one entirely opposed to the interests of Great Britain. If the industries are to be retained, means must not be adopted which expels them. On the contrary, what has to be provided is that the economic conditions are such that they will act favourably to the results desired to be attained. We are well aware of what the cost is approximately of running our market. It is in the neighbourhood of 12½ per cent. There is no method or device of shifting the burden from one class to another, which will either get rid of or diminish the actual cost, and it is absolutely certain that imports make precisely the same use of the British market that British production does; therefore, arithmetically equitable treatment of the different users of the market can only exist in equal charges being made. Natural laws forbid that inequality shall be made into equality by legislation.

But can it be contended that our system of import rates, taken as a whole, represents a well-thought-out symmetrical and sound scheme? In almost every respect it seems to be the reverse. We

sacrifice the nation in order to establish State-aided opposition to our own producing industries, and seem ignorant of the nature of what we have done because we call it "Free Import," which it is not. We classify market dues to meet the cost of markets as Protection, which it is not, and we stigmatise Protection as wicked, whereas all that it means is localisation of production, a power of a most important and valuable description. We say we should not tax the food of the people, but we tax exorbitantly tea, cocoa, sugar, tobacco, and other articles, while we give State-aid to the admission of luxuries. We exempt raw material, if imported, from paying market cost, but if produced at home it is taxed. We exempt wheat, if imported, but if grown at home, it is taxed ; and in every instance in which we exempt anything from paying the market cost, we have at once to charge the amount so exempted upon some other source. In this way our system seems to be made up throughout of a series of unjust charges and unjust exemptions when the whole matter is viewed scientifically from a commercial standpoint. We certainly ought to broaden our basis of taxation. It seems incomprehensible why it was ever narrowed, because nothing but disadvantage and national loss have arisen from rendering it contracted. Our import rates ought to be on a more uniform level, instead of giving State-aid to some classes of articles and piling exorbitant import rates upon others. In other countries these matters can obtain calm consideration with the application of commercial knowledge and correct accounting. Can the same not be done in Great Britain? If they could be adjusted upon sound commercial principles it

would mean the immediate removal of a dead weight of oppression and adverse influence which are paralysing the operations of the nation and are providing hard times for the working classes. Nations are dependent upon production and upon commerce based upon production, and a nation which cannot wisely regulate its commercial condition cannot reasonably expect to maintain a satisfactory position. The elucidation of our present position does not require the discovery of new truths. All that is wanted is the application of truths with which we are already acquainted. Adam Smith said that one of the cases in which an import duty is required is where it is to counteract an excise rate at home. That is exactly the ground upon which stands the claim for import dues for market cost. The market cost constitutes the excise rate for which it is necessary to have an equivalent upon imports in order to provide equality of entry to the British market. For sixty years we have been neglecting and violating this law, the violation being veiled under the name of "Free Import." Why should we disregard truths like the above statement of Adam Smith, which can be verified by ordinary accounting? Why should we go on deceiving ourselves. State-aid to Imports ought to be terminated and swept away. Are we unable to brace ourselves up and face the truth and the facts of the case? The following bears upon the point:—

On May 2, 1888, an influential deputation of hop growers waited upon Lord Salisbury, with the object of asking that an import duty should be imposed upon foreign hops imported. That deputation stated that we can grow in England all the

hops we require ; that in 1862 we imported only 30,000 cwt., and in 1880 to 1885 the average importation was 230,000 cwt. per annum. Lord Salisbury heard the deputation, and amongst other remarks said: "Your complaint is unrestricted importation, but it is not your complaint alone. Far and wide over England the same complaint is heard. Unrestricted importation has undoubtedly been the cause of loss, and more than loss, to large sections of the agricultural population. It has left considerable portions of this country uncultivated." Further, he said that "a politician, looking at the state of public opinion in this country and in the House of Commons, could not without insincerity lead you to believe that anything could be done."

Since that date, now in 1908, the hop question has come again to the front in a still more acute form. What is it that prevents necessary changes in our legislation? According to Lord Salisbury's statement in 1888 it was at that time the state of public opinion, and the position seems to be the same to-day. But what is being done to educate public opinion to the knowledge that we possess a system of giving State-aid to the import of all articles which we can either produce or manufacture? There can be no doubt that when the public realises the inherently destructive nature of that arrangement, the public will desire to have something more correct and scientific; therefore the public ought to be informed what the disease is which has to be cured, and also what the remedy is.

The imposing of a rate equivalent to our internal taxation would not increase the cost of manufacture either for home trade or for export. This is evi-

dent, as the population is obliged to raise, and always will be obliged to raise, the total amount required for the expenses of the nation, whether that amount be raised on a greater or smaller number of articles we consume; neither could it favour one industry at the expense of another.

Adam Smith speaks very clearly upon this point in Book IV., page 204. He says:—

> The second case in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic, industry is when some tax is imposed at home upon the produce of the latter. In this case it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock (capital) and labour of the country than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax into a less natural direction, and would leave the competition between foreign and domestic industry after the tax as nearly as possible on the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestic industry, it is usual at the same time, in order to stop the clamorous complaints of our merchants and manufacturers that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

As an illustration that we have not always neglected the advice of Adam Smith, as contained in the preceding quotation, we have an import duty upon spirits which is worthy of attention.

Why is there such a thing as an import duty upon spirits? The reason is that by means of an Excise, or Inland Revenue duty, we increase the cost of the production of that article, the burden of which increase falls upon the consumer precisely

in the same manner in which the burden of taxation upon wheat fell upon the consumer previous to the importation of free wheat. If we were to permit the importation of spirits and beer free, while retaining the present taxation upon the production of these articles, our breweries and distilleries might close their doors immediately. Their trade would be extinguished, and the value of the premises and machinery would resemble that of the sugar refining trade—it would be unusable and unsaleable.

What becomes of our excise rates levied upon spirits and beer, yielding £23,000,000 per annum? They constitute revenue, and go into the general exchequer along with income tax, duties upon tea, coffee, etc. How can it be explained that a revenue of 10s. per gallon raised from spirits necessitates an import rate of 10s. 4d. per gallon, while a revenue raised from wheat of 4s. per quarter requires no corresponding import duty? The two cases are precisely parallel. We produce wheat, and we import wheat; we manufacture spirits, and we could import spirits if we might do so on the same conditions as we import wheat, only the disadvantage would be that our spirit industry would be fatally damaged, and speedily assume the condition of the silk, the sugar, and the agricultural industries. It would seem that the spirit industry, although subject to exceptionally heavy Inland Revenue taxation, can be preserved not only intact, but maintained in a most prosperous state, by means of an import duty of a slightly higher rate; but that the taxes paid upon wheat require no equivalent import duty, and so agriculture dies. The inconsistency of this is somewhat striking.

The following is what the Right Hon. H. Fawcett, in his book on Free Trade and Protection (page 39), says:—

"When an import duty only corresponds to an excise duty of the same amount, it is evident that the foreign and home producer are placed in a position of equality, and the import duty cannot be regarded as protective."

This precisely confirms the position I take. Excise is for revenue, so are all the taxes raised in Great Britain, whether on spirits, or tobacco, tea, or income tax, or local taxes for police, roads, or lunatics. What difference does it make what the tax is called, so long as it is for public expenses?

I now repeat the resolution which was passed by an overwhelming majority in the Manchester Chamber of Commerce on the 18th of December, 1888, and reported in the principal newspapers on the day following. The resolution reads:—

"That it is the opinion of this Chamber that all foreign goods of a nature and kind which we ourselves produce, offered for sale in the market of the United Kingdom, should pay that equal proportionate share of the burden of Imperial and local taxation which they would have paid if produced or manufactured in the United Kingdom."

Here, again, is precisely the confirmation of the view that equality of entry to the British market can only exist when there are equal conditions given both to imports and to home production.

Instead of the public being educated to take a correct view of the position, we have statements such as the following extract from a modern publication on Tariff Reform:—

"Our present tariff fails to secure our vitally

important national industries against bounty-fed and State-aided competition by foreign protected countries, competition which restricts production in this country, and consequently diminishes the employment and lowers the wages of British working men."

The above statement is not the truth on the subject. It is the reverse of the truth, although probably unintentionally so. The bounty-fed and State-aided competition against our own producers in our own market DOES NOT arise from the foreigner. It arises from ourselves and from our own legislation. It is a leading feature in our own system that we tax ourselves so as to establish, at our own expense, State-aided opposition to our own producers in our own market. We give to imports, without charge, the use of a market which costs 12½ per cent. to ourselves. Why then do we blame the foreigner for that? Where does retaliation appropriately come in when we, at our own expense, subsidise the import of foreign articles?

The public should realise that a country and a population cannot be made prosperous upon a basis of injustice and spoliation meted out to every native industry, and, above all, to agriculture.

We value honesty, integrity, and equity. We have shown ourselves prepared to make sacrifices for those ideals; how then are we to account for it that our legislation and our practices take the form of inequitable treatment towards our means of livelihood? Let the circumstances be rightly explained, and there is every reason to believe the public will desire the sound and scientific road in preference to one which is neither.

In nations, a departure from equity is bound to

bear bad fruit. Besides being costly, it exercises a deteriorating influence upon individual character.

What we require to do is to "WAKE UP" and set our own house in order. The complaint from which we are suffering is self-imposed. At present there is not a single industry in this country for home supply, from the growing of wheat or cabbages up to the highest class of manufacture, but experiences a deadly competition in consequence of being subjected to spoliation through State-aid given to foreign productions.

A sound fiscal policy demands that we should cease giving State-aid to imports, and that we should cease to oppress with spoliation our home industries for home production; then these industries, by receiving simple justice and equitable treatment, may flourish again, and the question of the unemployed find a solution in giving them that employment which we are at present taxing the nation in order to send out of the country to return masquerading in the form of increased imports.

It does not matter to what producing industry you turn, whether it be agriculture, or silk weaving, or glass, or granite, or gloves, it will be found that outside producers of the same kind of article have access to the British market upon more favourable terms than the British producer on account of tariff arrangements.

The manner in which our legislators have gone astray is precisely on those points which indicate the want of practical knowledge of commerce and accounting.

Neglect of Establishment Expenses.

Neglect of Consequent Trades.

Neglect of the Fact that Quantity of Production reduces the Cost.

Legislation has passed through the hands of those who have been unable to detect its faults.

The faults are there, and have not been detected. It represents a destructive policy, instead of which it ought to provide a constructive policy, leading to improvement, advancement, and progress.

Every country outside of Great Britain recognises that its market requires constant expenditure of money to maintain it, and it practically says to every outsider, if you desire to use our appliances you must pay a fair share of the cost. And it says further that it pays us best to employ our own people. There is great benefit in circulating our own money, that is, the product of our labour, in our own country; therefore, it is to our advantage to put on certain rates, beyond the revenue rates, to prevent others depriving us of our production. That shows commercial wisdom and sound common sense.

Mr. Henry Charles Carey (1760-1839) maintained that a nation should grow and manufacture all articles suitable to the country, irrespective of the fact that they may be imported more cheaply than they can be produced. It will be found that that principle is the most profitable to any nation.

We flatter ourselves, and one often hears it stated upon platforms, that, give us equal chances and fair play, we, as a producing nation, fear no competition. The sentiment is admirable, but what is our first proceeding? It is to handicap ourselves in every producing industry in which outsiders can compete. We begin by giving them access to our market without charge, a facility which we cannot give to our own producers.

The plan is entirely unscientific and inverted in

its inception. It is impossible that good results can ever be attained until it is got rid of. The following statements provide views upon the Tariff question which will stand investigation.

In considering the Tariff question the fact must never be lost sight of that PRODUCTION IS THE ONLY SOURCE OF WEALTH.

In the Tariff question there are only three positions possible:—

1st. The condition of giving Protection to Production; which means the imposing of a Duty upon Imports higher than the cost of the Market to Home Producers.

2nd. The condition of giving no Protection to Production; which means the imposing of a Duty upon Imports equal to the Market cost which Home Producers have to pay.

3rd. The condition of State-aid to Imports; which means giving our Market to Imports at a lower rate than it costs to our own Home Producers.

The first favours increase of Production. The second does not favour increase of Production, but does nothing to destroy it; it would only give Home Production a free field and no favour. The third means destruction to Home Production and employment by transferring both to other countries. In all countries Production means work and employment for the working classes. Diminution of Production means diminution of work and of employment.

A BASIS OF BELIEF.

The following facts have to be recognised:—

1st. Every market is an artificial commodity, maintained at a continual expense or outlay, to provide for which taxes are levied.

2nd. No producer in any country can make use

of his own home market without paying for it through taxation.

3rd. The different markets of the world vary from each other considerably in the expense at which they are carried on, and vary in their value as markets for commercial purposes.

4th. For that reason, International exchange free of Duty, seeing that it would treat as of equal value markets which are not of equal value, would be commercially an unsound practice, in addition to being a violation of Clause 6.

5th. In Great Britain, the cost of the market to its own producers is between 10 and 15 per cent. upon the entire consumption of the country. The cost is to provide for the Army, the Navy, and local expenditure. Some other countries provide statistics relating to the amount of consumption of the country. Great Britain does not, but is now proceeding to do so.

6th. In every country taxation upon production, for the maintenance of the market, must be regarded as an integral part of cost of the article produced. In Great Britain it is, as previously stated, 10 to 15 per cent. For convenience it may be termed 12½ per cent.

7th. It follows, then, that imports admitted into any market without being charged the average rate of market cost are given an advantage over the home product — an advantage which the home producer is

taxed to provide; therefore Import without charge is not Free Import, it is State-aided Import, and in Great Britain the amount of the State-aid is about 12½ per cent.

8th. For these reasons "FREE Trade" or "FREE IMPORT" are misleading titles for STATE-AIDED IMPORT. Free Trade or Free Import does not represent anything which exists or can exist.

9th. The effect of STATE-AIDED IMPORT is to give inequitable treatment to Home Production and industries for Home Supply. The result of this inequitable treatment is first to depress them and then to expel production and industries from the country, carrying with them all the consequent industries and trade, the importance of which is immense, but is commonly disregarded by us.

10th. The discontinuance of State-aid to Imports is indispensable to the giving of equitable treatment of our Home Industries for Home Supply.

11th. Taxation upon production, co-existent with admission of Imports without charge for the market they are going to use, is contradictory legislation.

Any change of legislation may be welcomed which leads in the direction of abolition of State-aid to Imports, but there can be no doubt that any degree of State-aid, even the most minute, is, from its nature, opposed to the interest of the nation. The science of tariffs is a finite and

definite science, and is decisive upon this point. At the same time, it must not be supposed that even the best tariff system will provide unlimited work. What it can do is to provide the maximum of work. Our State-aided system can only produce the minimum amount of production and employment.

A national effort should be made to restore home production for home supply to a just and rational position without Protection by causing imports to contribute as much to national expenditure as the nation has to pay upon home produced articles. In that case, without affecting the national expenditure, elasticity to the revenue would ensue, the area for the purposes of raising revenue would be so greatly increased that lower rates of taxation would suffice, and justice would be given to our home producers.

What we have to realise is that we have got on to lines of thought so contorted by mistaken terms that the position we take is preposterous. We are ruining a nation possessed of the grandest possibilities by our failure to comprehend a matter which is not intricate. It can be summed up in a few words. What we are practising is

STATE-AIDED IMPORT,

a condition in which we support a huge market for the rest of the world, and present inducements (financial) to every country to take possession and transfer our production, our consequent trades and capital, from our country into others. We do this by our own voluntary arrangement. No other country has ever requested that we should do so. We insist that is the essence of wisdom. No other

nation will admit its wisdom. The fact that we are isolated in our opinion seems to bear no weight or meaning to us, even to the extent of causing us to investigate the principles upon which we proceed.

When other countries refuse to adopt our system, they do not refuse to adopt Free Trade, because there is no such thing in the question. What they refuse is to adopt State-aided Import, a condition in which they would require to increase the taxation upon themselves in order to supply outsiders with an artificial and costly commodity (their market) without charge, a condition they could not give to their own producers. Is it surprising that our suggestion does not meet with acceptance?

If State-aided Import were understood in its true character, it would be quickly settled and consigned to oblivion. State-aided Import is the Danger Signal. It is the heaviest tax upon the working man which a State can devise, because it takes away his work, while it produces nothing for the benefit of the State or for any one. It produces nothing but ruin on a large scale, with the exception, perhaps, of a temporary artificial advantage to the trader in foreign articles, who later on suffers in the general depression owing to want of production.

CHAPTER XXVI.

STATE-AID TO AGRICULTURAL IMPORTS.

The effect upon British and Irish agriculture of giving State-aid to the import of agricultural products.

Agriculture is the industry in which the main factor is the increase given by Nature. To take the article WHEAT. One bushel of wheat sown on average good soil will produce about 15 to 20 bushels, in many cases more. This represents an increase in sustaining power of 1,500 to 2,000 per cent., because 100 bushels sown would yield 1,500 to 2,000 bushels.

If there is any object for which one would think a nation would be desirous to make some sacrifice it would seem to be that of self-preservation, strength, and independence. It is for self-preservation and independence that we spend annually about 90 millions upon Army, Navy, and fortifications; so that spending largely for self-preservation and independence is a recognised necessity, continued from year to year, so that we may be prepared when an emergency should arise. How does that compare with our actions in the case of our

food supply? Thirty to thirty-five years ago we produced 17 million quarters per annum of wheat; now we produce about six million quarters; yet it was stated that Free Import would increase the home production of corn. (Cobden, February 8, 1844.) Why, then, has the cultivation of it diminished to about one-third of what it was? The cause is obvious. We have given State-aid to the imported article; we have given it better terms in our own market than we give to our own producers. Is action of that kind capable of satisfactory explanation? Is it commercially sound? Is it in the direction of making national sacrifice in order to render the nation more independent?

History teaches that any country which neglects its agriculture makes a great mistake, but we go further than that—we take active measures to destroy it by charging to our own producers a higher price for the use of the market than we charge to outsiders.

In wheat production, the following is a statement of the progress of other countries and a statement of our decline. In millions of bushels:—

	Produced in 1831.	Produced in 1894.
France	190	340
Germany	50	117
Russia	110	300
Austria	65	180
Italy	60	117
Spain	58	100
United States	78	454
Canada	6	33
Australia	2	40
United Kingdom	120	58

And we must take along with it the fact that in Great Britain a better yield per acre of wheat is

obtained than in any other place in the world. Great Britain gives 33 bushels, France 20, Germany 18, Russia 12, Australia 10, the United States 24.

It is important to keep such figures before us, because they assist us to realise the actual comparative position. One frequently hears the remark that in these small islands we must import largely because we cannot grow all we require for consumption. It perhaps is true that we cannot grow all we require, but does that form a good reason why we do not grow all that our ground is capable of producing? Wheat-growing is one of the best of our natural industries. But its importance from a national point of view is not appreciated, neither does it appear that our farmers or the general public are aware that it is our system to tax the nation to aid its destruction.

What is apparently the result of importing, say, £1,500 worth of wheat which we could ourselves produce? Those who understand the usual course of commercial transactions will know that in the case of equal quality a difference of 2½ per cent., or even less, is sufficient to attract a buyer, and to secure a transaction. A seller never names his lowest price, but endeavours to obtain the highest possible. He feels his way with the market, and so long as he can just cut under the British producer, he accomplishes all he wants. Well, suppose that the outsider secures a transaction of £1,500 by taking a price 2½ per cent. less than can be accepted by a British producer, the result is that the order goes for imported wheat in place of British. But why does not the British producer take a lower price and secure the transaction? He cannot, because he has come down to cost price. That cost

price includes 4s. per quarter for taxation. The imported wheat is not asked to pay any taxation for the use and support of the British market. Owing to our Tariff system alone, and supposing wheat costs exactly the same if produced abroad that it does when produced in Great Britain, the outsider is always in a position to undersell the British producer. It does not depend one jot upon what the cost is abroad; so long as the outsider can just undersell the British producer, he will take the highest price he can get, so it becomes apparent that the higher the producing cost of wheat in Great Britain the higher will be the price obtainable by the outsider. It is not in accordance with commercial experience to suppose that, if wheat can be produced abroad, and delivered here at 25s. per quarter, we shall obtain it at 25s. per quarter if our producing price is 35s. per quarter. Those outsiders are merchants as well as producers. They look upon the British market as being the best in the world for paying good prices, and part of the cause of that is that our producing cost is high in many articles. Our level of living is also high. Our cost being high is the natural result of the level of living being high, but it must be obvious that a high level of living and a high cost of production cannot be maintained if our people must live upon State-aided Imports of agricultural produce, food, and manufactures. If we artificially create economic conditions which, in the case of imported articles, disregard our market cost, our industries cannot remain with us. Then the economic difficulty arises, how is a nation of workers going to be maintained upon a high level of living when there is no

work for them to do by reason of their living upon imports?

The answer is that it cannot be done. Production, and production alone, is the sustaining power. Economic conditions must always be such as to retain production, but our economic conditions are such as to favour and facilitate the expulsion of production. So long as that continues, we must accept the inevitable result of our own arrangements, namely, increasing want of production, increasing want of employment, increasing emigration and number of poor. It will also take the form of diminishing population and diminishing national resources. This progression is arithmetical. We establish methods of expulsion of industries, and we experience the due result of expulsion. If we were to establish the conditions of retention we should have retention and increase.

Now, it seems absolutely incomprehensible, from a commercial point of view, why we, as a nation, should prefer the system of expulsion of industries to a system of retention. Both are attainable by methods of Tariff. Of that there can be no question. The figures at the beginning of this chapter are proof of it. Wheat may possibly be grown more cheaply in other parts of the world than in Great Britain, but that is not at present the question. The question is why should we put ourselves to a national expense to assist the operation of expulsion. To that question it would seem there can be no rational answer. It would be as sensible for a working man to throw his weekly wages into the sea and then complain of poverty. We take means to depopulate the land, we create unemployment, we rob ourselves of the best

physique of the nation, and tax ourselves to be able to produce those results.

We hear the cry reiterated "BACK TO THE LAND," yet we are doing our level best to assist the opposite process. If we desire the population to get back to the land, State-aid to the import of agricultural produce should cease, and that can only be done by placing upon imports a charge equal to the Establishment expenses of this country, which is 12½ per cent. Such a charge would not touch upon Protection, but an Import Duty of 15 per cent. would do so, and would give a protective rate of 2½ per cent. Now the question is, if we desire to do that which would be beneficial to the nation, would it not be wise to give our own agricultural producers a preferential use of their own market to the extent of 2½ per cent.? We hear of old-age pensions and other distributions to help the needy by appropriating the property of others; but why should we continue to crush our productive industries for home supply, and especially agriculture, taking away from the working classes their legitimate occupation, thus scientifically preventing them being in a position to help themselves. They do not wish for charity if they can get regular work at good wages.

We suffer a further disadvantage and loss through our system of State-aid from the expulsion of consequent trade, which will be found dealt with in Chapter XXVII. upon that subject.

CHAPTER XXVII.

CONSEQUENT INDUSTRIES.

In modern works dealing with the Tariff Question and with Political Economy, a surprising feature is the absence of reference to the consequent industries which are inseparably attached to all kinds of production for the supply of consumers.

1st. Take as an illustration an order for £1,000 worth of hosiery. If given to Leicester, it is, in the first place, a transaction for the firm of hosiers.

2nd. The whole of the £1,000 is paid away by him in wages, in rent and business expenses, and in the maintenance of his home, servants, etc.

3rd. These, receiving their wages, spend all they receive in food, in clothing, and in other ways, in doing which they maintain a shop trade.

4th. These shops, employing many hands, according to their sales, replenish their stock by buying from producers and those who supply their wares.

5th. These again employ hands to carry on their

businesses, who are paid their wages, and who

6th. Again spend all they receive. And so the process continues.

In fact, one cannot easily see where the continuity of the turnover of trade terminates. If an order for £1,000 worth of hosiery be intercepted and sent abroad to be executed, it is, as previously shown, a loss in trade to this country, not overestimated at six and eight times its original amount.

The same reasoning applies to the Agricultural Industry. Every £1,000 worth of agricultural produce which we could bring to market in excess of what we do now would mean a national gain in trade and occupation of £6,000 to £8,000. In agriculture we can produce three times as much as we do at present, and, if we were to do so, the amount of money which would circulate in the country would be enormously increased, and so, likewise, would the amount of employment for idle hands.

The temptation to use foreign articles in place of those of home production is, of course, their cheapness. A matter of 2½ per cent. will sometimes lead to their being taken in preference; 5 per cent. would be a strong attraction. But let us see how we should stand with a foreign article 10 per cent. cheaper than our own. On £1,000 transaction one hundred pounds advantage would be obtained, so that, in order to obtain an advantage of one hundred pounds, we consent to the national loss of six to eight thousand pounds' worth of trade and employment. The wisdom of such a course is not

evident on the face of it, but something else is which is very much the reverse.

The truth in connection with this point seems to be that the great value and importance of home production lies not so much in having or losing the original transaction as in having or losing the consequent trade and occupation. The great matter is the retention of money, which goes on circulating interminably, because when, say, £1,000 worth of grain is produced and purchased for consumption does that £1,000 ever become defunct? There is no evidence that it does. It seems to continue for ever circulating, and doing good without end. For this reason it is right and judicious that such economic laws be provided for the purposes of retention of industries up, at all events, to the point of the entire capacity of production. Such a course would exhibit appreciation of the maxim that production is the only source of wealth, and in what respect would the application of Localising Rates violate any natural law? In no respect whatever. It would mean acting in accordance with natural law. What we do at present is to place ourselves in opposition to natural law. In 1872 the value of our wheat crop was worth 38 millions of pounds. That amount was realised for it, and was sent circulating through the farming industry into the consequent trades. Taking a turnover of eight times the 38 millions would represent business to the extent of 304 millions. In 1886 the value of the wheat crop was 12 millions of pounds. The consequent trades which that would represent in the same manner would be 96 millions. Difference between 1872 and 1886 thus shows at 208 millions. It is positively staggering to regard all the loss we

consent to experience, and to realise that we tax ourselves in order to obtain this result.

The abolition of State-aid to Imports, along with the co-operation of moderate Localising Rates, would place different features on the face of the land.

The judicious treatment of National Industries is a matter for which national legislation is the only possible means, but in place of our guarding the national value and importance of our industries, we have so arranged a method by which our industries are made to disappear, and take with them the consequent industries, which are of so much importance.

Lord Randolph Churchill said, on the 24th January, 1884, at Blackpool: "Of this you may be certain, that an impartial inquiry into this great question (Free Imports) will put more money into your pockets and hope into your hearts than any Reform Bill." The facts of to-day seem amply to confirm that view, but it is not only a question of producing a better result, it is, besides, a question of restoring equitable treatment to our producing industries by the removal of contradictory legislation, a basis of treatment from which they have been so long deprived.

CHAPTER XXVIII.

ERRONEOUS IDEAS.

It is unfortunate that, when the views usually expressed are tested, by comparing them with a scheme of Tariff on scientific principles, a list of erroneous ideas quickly assumes considerable dimensions. The question of restoring equitable treatment to home production for home supply is not really a question of Political Economy—it is a question of elementary justice. It is not our desire or our intention to load our agricultural and other producing industries with unjust treatment, or, to put it in other words, with spoliation and robbery, but that is what we practise under a different title. But the title does not alter the fact.

The question of removing contradictory legislation is not one of Political Economy, because the recognition of contradictory legislation does not form an element of the principles of Political Economy. It would only be the removal of blundering legislation.

The principal thing to recognise at the present time is that the system of State-aided Import which we have is one which ought to be got rid of at the earliest possible time. The process of getting rid

of it is one which would, at the same time, produce desirable effects—it would produce great widening of the basis of taxation; it would produce greater uniformity of taxation; it would remove anomalies; it would produce lower rates on account of the extended basis; it would revivify the field of labour and occupation; it would be an important step in enabling us commercially to unite with our Colonies; and, in fact, being based upon scientifically correct views, would be a means of bringing order out of chaos.

Philanthropic people think it is kind to the working classes to assist them in the price of food, but our legislation does not work that way or produce that result, but it produces results precisely the reverse. It takes away their employment, which does not represent kind treatment to the working classes, and does not give cheaper food.

An erroneous idea which has been much ventilated is that import without charge is a means of removing trammels from trade. It does nothing of the kind. It only shifts a legitimate burden off the shoulders of one class which ought to bear its own share, and places that share as an additional burden on to other shoulders, which already carry their own share—a course unbusinesslike and inequitable. It has been said that import tariffs have been rendered necessary because countries could not raise enough revenue by direct taxation, but that is not the correct reason, because, first, there must always be a revenue import rate in order to secure to home producers equality of entry into their own market; then, as regards higher import rates, they represent Localising Rates, which are justifiable upon economic grounds.

Some argue that large imports lead to correspondingly large exports, which pay for the imports, and that the nation in that way receives the benefit of an increased export trade. In reply to that—first, statistics do not show it to be the case. We may buy as much as we like from any protected country, but it shuts its door against the entrance of our goods, and it does so because it finds its greatest advantage in acting in that manner. Secondly, even if it were the case that increased imports led to increased exports, no amount of export trade would have the effect of replacing in the same channels the national gain and employment which would have resulted from supplying our own market with what we can produce. Thirdly, it does not appear that an arrangement under which we could retain the trade of supplying our own home market need prevent our doing as much export trade as we can overtake, seeing that we should not require from exports the same contribution to national expenditure which is legitimate upon articles for home consumption, therefore, a rebate could be given upon exports, a practice not uncommon in other countries, where the laws relating to increase of national wealth are differently understood when compared with England.

It seems absurd to suppose that by importing everything we require we should by that means increase our production.

If we are the workshop of the world, why should we not be the workshop for ourselves If other countries are in a position to beat us in our own market, on what ground can we hope to compete successfully in neutral markets? The truth is that we are driven out of our own market because we

arrange that it shall be so, first, by our system of State-aid to Imports; second, by our not recognising that a high cost of production, from whatever cause, necessitates preservative rates to guard the consequent trades. We must not forget that we are dealing on all sides with countries which openly tell us they will not buy from us anything they can either make or produce themselves, because that course is the most sound, and pays them best in the long run. How, under these conditions, can imports produce exports? It is impossible.

If existing lines of production like wheat get diminished, what other trade springs up to afford the same amount of occupation and production? How can it spring up in the face of State-aided Imports, and the better chance we give the outsider of doing anything we attempt? Even under that argument everything we do or attempt is to be carried on under a handicap in favour of the outsider, and that handicap means, when all is included, not 12½ per cent., but much more, because it expels also all the consequent industries dependent upon production.

We have expressed the view and the wish that other countries should admit our goods without charge into their markets. It does not seem to be appreciated that that is a request that we should be placed upon better terms in their market than their own producers are. That is the reason why they refuse. Equality of entry does not exist on a basis of entry without charge; it can only exist on a basis of Equal Incidence of Taxation. That that is so is simply a matter of correct accounting. It is not a matter of opinion. As to whether it is a duty of

other countries, and all countries, to adopt a basis of Equal Incidence of Taxation is for them individually to determine, according to what scheme of scientific tariff will best develop their interests.

We talk of foreign countries raiding our market by means of State-aided and subsidised methods of attacking it. Are they not entitled to take advantage, not only of what we permit, but what we invite? Our system of State-aid to Imports invites their presence in our market, where we make room for them by excluding our own producers.

We talk of retaliating. No retaliation seems called for, but only to cease giving State-aid to Imports.

It sounds, perhaps, independent to say let us retaliate, but what have we to retaliate about?

We have, by our own free will, adopted a course which we said all the world would imitate. We are now in a position to realise the fact that other countries have not been able to see the matter in the same light, and that they have declined to imitate.

Other countries grasped the idea that it would be to their advantage to increase their industries, and they have taken the means to do so, even if it did cost them something at first to establish them; but they comprehended that in the long run it would be nationally beneficial. They have taken means to increase their production, we have taken the means which ensures diminution of production.

Now that we find the result of our system unsatisfactory, we say let us retaliate. What we really ought to do is to adopt a rational course for ourselves, leaving other countries to do the same.

In the consideration of a true, scientific, and solid fiscal policy, retaliation finds no place.

The prosperity of our industries, representing that which constitutes national prosperity, may be likened to a tree. Give it fair treatment, and it will increase and flourish. Deprive it of fair treatment, even after it is established, and it will shrivel and decline. Of late years our practice has been to cut into the roots of our industrial tree and to ill-use its branches. As a matter of course we have now to deal with the inevitable result.

We hear it stated that it is in consequence of our never having had Free Trade, but only Taxed Exports and partial Free Imports, that the ruin has been effected of our agriculture; but why has it never been recognised that we give State-aid to agricultural imports, taxing ourselves to do so?

It is argued that the country which imposes an import tax has itself to bear the tax.

That is a statement which seems purposely to evade the point at issue. At present there is no question that we bear the whole cost of the British market, both for our own producers who use it and for outsiders who use it. To place the burden equitably, by asking all those who use the market to pay equally for that advantage, does not mean the imposing of a new tax—it simply means collecting it from the wider basis of all who use the facilities, in place of collecting a higher rate from only a portion of those who use it, and when the fact is also taken into consideration that our consumers do not receive the benefit of the remission of the tax upon imports, but that it is secured by the outsider, by means of our maintaining a high cost price for production in Great Britain, it is all the more obvious that the equitable course of instituting equal freedom to the market would be the right one.

There seems to be a fear on the part of consumers that a producer should make a profit. This view is a very unreasonable one when it is considered that whatever profit is made by any producer is at once distributed again amongst the working classes in expenditure. Taking it all round, no one bottles up profits. In most cases, when made in production, they are applied to the increase of production, which is all for the benefit of the working classes, and if a portion of it be applied to private expenditure that also is utilised to the benefit of the working classes, so the objection frequently made of producers making money upon conditions of working under equitable treatment is one of the most absurd and perverted ideas which can be imagined. Just as absurd is the objection to the importation of cheap labourers to do work in Great Britain, while we admit the productions when made abroad of the same cheap labourers. Of the two, the importation of the cheap labourers to work in this country would be the least disadvantageous. In both cases it means a displacement of home labour, but in the case of importing the labourers this country would still reap some advantage in the work being done here, the wages circulated here employing other persons and a certain amount of contribution to our taxation. But in this matter, as in some others, we persist in taking the view and the course which are nationally the most destructive, while to the home workers, in any particular branch, the result is precisely the same: they are thrown out of employment by the importation of ready-made articles, which ought to be made at home, for the simple arithmetical reason that it pays better. In spite of that

fact, our people say No; let us take the most expensive and the most destructive way, and accept idleness in place of comfortable work and wages for ourselves and our families. Some point to our competitive system of business as a cause of unemployment, but seeing that we subsidise and encourage foreign production, while we place repressive measures upon home production, it would be better to put the saddle on the right horse, by giving British production equitable treatment.

There are many who approve of Tariff Reform, but who think that International Free Trade would, of course, be the ideal arrangement, if other countries would only agree to it. Such a view will readily occur to those who have not gone below the surface of the question, but when it is realised that, as has been explained, import without charge is not Free Import, universal import without charge would not be Free Trade. It would simply be a repetition of that which is State-aided Import when practised by any one country, and could not be anything different if adopted by others. It can never, under any circumstances, be anything but a violation of the principle that Establishment expenses form an inseparable part of the cost of any article, and that no justifiable or logical law can be made which will interfere with the due operation of legitimate cost. A knowledge of commercial accounting, and of correct methods of making an ordinary commercial cost calculation, would prevent many from making the unpractical suggestions which are advanced. All the discussions about comparative prices in different countries, and comparisons of numbers of unemployed, have no bearing whatever upon the point that we have arranged to give

State-aid to Imports, carrying along with it the injustice and disorganizing effects to British production which are inherent to its nature.

COBDEN.

Cobden, if not the originator, was the great exponent of the system adopted in Great Britain in 1846 under the name of "Free Trade." To treat him fairly, he seems to have been dealing with matters which he did not understand. What he advocated, under the title of Free Trade, was in reality Preference and Protection for the outsider in the British market, that being the nature of the condition supplied by the system of State-aided Import then adopted. One familiar with commerce and commercial accounting could readily have perceived the LEGISLATIVE TRAP then created for the British producer, the operation of which is explained in Chapter XX. The want of equity towards British agriculture and other producing industries, and the obvious interruption of the power to recover from consumers the taxation advanced to Government by producers, does not seem to have been detected, but it existed, and still exists. It establishes inequitable treatment of agriculture and other producing industries as a basis for commerce. In this fundamental fact lies the explanation of how it is that all Cobden's prophecies have been falsified. I do not impugn his motive or his belief. It is only a matter for regret that discovery has not taken place at an earlier date of the arithmetical result then introduced, arising from granting to outsiders the use without charge of appliances, facilities, and advantages which can-

not be had on the same terms by those at whose expenses they are provided.

Disappointment in the realisation of his prophecies does not lie in the fact that other nations have not responded. The system is in itself unsound. The claim was never made for it that it was advisable that every nation should give better terms in its market to outsiders than it did to its own people, and it is not likely that such a proposition would be advanced to-day, but that is the proposition forming the basis of State-aided Import, the system Great Britain employs at present. The system refused by the World.

CHAPTER XXIX.

FREE FOODERS.

As the fact has been sufficiently demonstrated that import without charge is State-aided Import, what is the actual position of the Free Fooder. It has already been conceded by many, including the Free Fooders, that in order to safeguard our home industries it is necessary to adopt some means which will effect that result. Upon the point of placing import duty upon foodstuffs, the section called Free Fooders dissent. They will not agree to any tax being placed upon food. But by that decision they take this position—namely, that the inequitable treatment at present meted out to all British production may be alleviated in the case of other industrial production, but in the case of agriculture or foodstuffs they desire that the inequitable treatment should continue. That agriculture should not participate in that relief from inequitable treatment, injustice, and spoliation from which other industries are to be more or less relieved. Their view of their own position may be described as that of mistaken philanthropy. They no doubt believe that, by resisting the import of any duty upon food, the price of food will be

kept down, but that view is not confirmed by experience. The condition of the working classes cannot be improved by legislation which operates in the direction of their loss and disadvantage, and that is exactly the direction in which State-aided Import operates. There is one argument from which Free Fooders cannot escape, and it is this: that if consumers are benefited in having cheaper food if admitted without taxation, that cheapness is obtained at the expense of the British taxpayer.

That being so, then it is not a sound business proposition; it consists of a charitable contribution from taxpayers to the consumer. But when it is observed that the operation of untaxed imports along with taxation levied upon producers simply enables the outside supplier of imports to secure a higher price, or that, in other words, the British taxpayer is taxed to give a benefit to outside producers, the aspect of the case is altogether unsatisfactory. At present there is no evidence that injustice to our producing industries is a justifiable proceeding, but Free Fooders place themselves in that anomalous position that from philanthropic motives they are resolved to be upholders of injustice, and, further, an injustice to our best and most vital industry, which, if placed in a position of equitable treatment, could do more for the restoration of prosperity to Great Britain than any other means of which we are aware.

On the principle that the agriculturist has to pay for access to the British market, and that imports have not, we have State-aided food. The Free Fooder argues that it is cheaper on that account; who is it who receives the benefit of the cheapness (if it exists)? The man with £500 a year receives

it; the man with £5,000 a year receives it; so does the millionaire; but they do not wish for subsidised food, so the assistance (if any) goes largely to the wrong people. It goes also to aliens, who come to swell the numbers of the unemployed. The conception of subsidised food is wrong from bottom to top as a commercial proposition. Business must be business, and charity must be charity. To sum up the two together will never work satisfactorily, but look at the question from any side, the fact remains that State-aided food implies injustice and spoliation to our most important and vital industry.

CHAPTER XXX.

ANALYSIS OF A FREE TRADERS' SCARECROW.

Confusion of ideas has been unnecessarily introduced into the Tariff Reform question by the repetition *ad nauseam* of the exploded and fallacious argument that revenue duties should not be imposed upon our imports, because the articles have already paid revenue duties in the country of their origin. Those who advance this argument do not seem to know that other countries do not consider that exported goods should contribute the revenue charges which are justly charged upon goods consumed within the country of their origin. So far from that being the case, a rebate is given upon exports, not only of the revenue charges which may have been levied, but in well-known cases a bounty is given. How, then, does the argument apply? It does not apply at all, because, first, the foreign system does not require revenue duty from exports, neither should we if we had their Fiscal system. This is a strong point in favour of their system, because it places them in a better position in neutral markets than our system allows to our producers or manufacturers. It is the opinion of other nations

that a market should be supported by the people who use it—by the consumers—and undoubtedly that is the correct view. Exports do not use the markets of their origin; therefore, why should they pay for it? They go away to be taxed in the country where they are consumed, which is a sound and reasonable Fiscal policy, recognised by all the world except England.

Secondly, whether foreign countries charge their usual home revenue rate upon exports, or whether they do not, our imports, which do not pay our revenue rate, do not contribute to the maintenance of the market in which they are consumed. It is for British consumers that the British expenses of maintenance are incurred. There can be no reason, and there is no reason, why British-made goods for consumption in Britain should pay revenue rates, and that foreign goods for consumption in Britain should not; therefore the argument raised is without foundation, and is only a scarecrow to frighten inquiry into the Free Trade fraud, while our system of loading export goods with our full revenue rates, as if they were to be consumed, is a mistake, and is a system of which we have a monopoly. It helps to impede our progress in foreign markets, and this pleases our rivals.

While it appears to be the case that an import rate for revenue purposes which does not exceed the rate necessary to cover the market cost would not raise the prices of articles, the absence of such a revenue rate removes the production away from our country to some other country, taking also the consequent trades, and WE pay for the cost of that removal, NOT THEY.

CHAPTER XXXI.

FREE TRADE OR FREE EXCHANGE WITHIN THE EMPIRE.

This is a suggested method of solidifying the Empire which has apparently captured the minds of some. In considering it, it is necessary to remember that our Colonies stand entirely outside of the financial operations of Great Britain. They adjust their own revenue and expenditure; they make their own laws. They are financially independent. Therefore they stand in the same position in regard to Great Britain that any alien nation does. We do not contribute to the support of their market, and they do not contribute to the support of ours, consequently, when we make use of their market, we must expect to pay at least a proportionate share of the cost of that market, and, likewise, they must pay when they make use of the British market. In this case again, Equal Incidence of Taxation provides the only equitable method of adjusting taxation, because the markets are of different cost and value. Mutual exchange of markets without charge would be the commission of two financial mistakes. It would involve exchanging markets as of equal value which are not at all equal, while both countries would be practising State-aided Import, which would in each case

involve injustice or spoliation to the producers of their own country. But there is still more to observe and consider.

Canada and Australia have already learned a good deal from experience. They know something about admitting imports without charge, because they have tried the experiment, namely, the system of taxing themselves to provide an expensive appliance for others to use without charge. Their opinion regarding it is that it does not represent a satisfactory means of advancing their own people and interests. They take the view that their own countries should be developed, therefore they prefer to adopt means to that end. The means consist of imposing revenue rates upon imports, plus Localising Rates for establishing industries. They have gone even further. They have informed Great Britain that they cannot admit any imports without due consideration for their own welfare. Therefore, taking these facts into consideration, it appears conclusive that there would be no likelihood of our succeeding in forcing upon our Colonies the system of State-aided Import which we employ, whether disguised under the title of Imperial Preference, Free Trade, or anything else. They have seen enough of the folly of providing an expensive commodity and granting the gratuitous use of it to others, so they will have none of it.

In these circumstances it would seem wiser to withdraw the proposal of a course which stands condemned on its own merits, and will undoubtedly be rejected by our Colonies. It stands condemned because it involves an unequal barter of markets, and because it is founded upon inequitable treatment to producers in both countries.

CHAPTER XXXII.

SAFE GUIDES FOR TARIFF AND FISCAL REGULATIONS.

These come within very small compass. First, correct terms or titles should be employed—terms which correctly, and as concisely as possible, describe the operations to which they refer.

The expressions Free Trade and Free Import can be dispensed with entirely. They apply to nothing which has existed, or can exist. They only create confusion and misunderstanding. The chief guide to be observed in legislation, a guide which it is safe to say should apply to all legislation, is the basis of EQUITY—a disregard or violation of it is certain to be unsatisfactory in its results, and cannot redound to the credit of the legislators or the initiators of such violation.

In Tariffs there are only three positions possible:—

1st. That of giving State-aid to Imports.

2nd. That of giving no State-aid, and at the same time giving no Protection. This condition is represented by the term Equal Incidence of Taxation.

3rd. The system of Protection.

Those three conditions include all that are practicable or possible in regard to imports into any country.

The first position, that of State-aid to Imports, represents the view that it is desirable to tax a nation in order to give a premium so as to attract imports from other countries. When the imports are of a nature which, according to the natural conditions existing in the country which imports, can be as favourably produced at home as outside, it is difficult to perceive where the advantage comes in of taxing a population so as to give a bonus to outsiders for doing the work which they could do for themselves. It is a system employed only in Great Britain, otherwise it would be unnecessary to consider it. It seems to admit of nothing being said in its favour. It is a method of paying a price for reducing home production and home employment to a minimum.

It is carried on under the title of Free Trade or Free Import, but is not either the one or the other. Education of children paid by the State is not Free Education, but is State-paid Education. In the case of imports, the State aids the imports by exempting them from paying 12½ per cent. for the Establishment expenses for maintaining the market, the cost of which is known to be about 12½ per cent., and is provided by the nation.

The striking feature in State-aided Imports is its want of equity to home producers for the home market. As a question of accounting, home producers are obliged by law to advance to the Government, on behalf of consumers, the proportion of taxation which consumers are intended to contribute for the benefit they derive from the market facilities

supplied to them. Previous to the admission of imports without charge for revenue purposes, those who supplied our home market (the home producers) stood all upon the same level, and there was nothing to prevent their recovering from the consumer, in the price of the goods, the taxation which they had advanced to Government. Up till that time the position of home producers for the home market was sound and equitable, but as soon as Government stepped in, and permitted imports to use the British market without charge, the British producer was in a trap. The so-called "free market" then meant 12½ per cent. Protection to the outsider when he came to the British market. The cost of British production being still kept up by the taxation imposed for market dues, the outsider had only to make the smallest concession below that cost price to secure the transactions, in which case the foreigner removed to his own country not only British production, but, along with it, the consequent trade.

Practically it is spoliation of the British producers for home supply, and also complete removal of the consequent trades, without any equivalent to British consumers.

In this indication of guides on Tariff legislation the strongest recommendation would be to avoid anything bearing semblance to State-aided Import to competing articles.

The second position possible for Tariff regulation is that of Equal Incidence of Taxation.

This means in Great Britain an import rate of 12½ per cent. It represents the cost of the Establishment expenses of carrying on the British market, as nearly as can be at present ascertained,

and is the charge which British producers and the taxpayers have to pay for the use of the British market.

This would give EQUITABLE TREATMENT OF THE INDUSTRIES AND NO PROTECTION. On this basis home production would receive Equal Treatment with the Foreigner.

It would mean cessation of SPOLIATION.

It would leave the home producer in the position of having to recognise that the foreigner has as much right to enjoy our home market at cost as he had himself.

Copy of a Resolution placed before the Manchester Chamber of Commerce in December, 1888, and carried by an overwhelming majority in its favour, after having been discussed at an ordinary meeting, followed by a special adjourned meeting, so as to allow of full discussion :—

> That, in the opinion of this Chamber, all goods of a nature and kind which we ourselves produce, offered for sale in the markets of the United Kingdom, should pay that equal proportional share of the burden of Imperial and Local Taxation which they would have paid if produced or manufactured in the United Kingdom.

It is a basis which is neither destructive to home industries nor encouraging to them.

PROTECTION, OR PRESERVATIVE RATES.

Those are rates imposed upon imports in excess of the revenue rate for the purpose of localising production, or retention of production, and may be

of any amount found necessary to effect the purpose to the degree desired.

The following chart gives a useful view of the character and operation of different rates of the preceding three classes of tariffs.

CHART SHOWING HOW TARIFF REGULATIONS OPERATE.

Tariff Regulation or Arrangement.	Result Produced.
IMPORT WITHOUT CHARGE, Which means 12½ °/₀ Bounty or Subsidy to Foreign Articles. 12½ °/₀ STATE-AIDED IMPORT	It favours the diminution and suppression of Home production by giving Foreign production of all kinds an advantage over Home production in our market, and means 12½ °/₀ Spoliation applied to our Industries. A MOST DESTRUCTIVE POLICY.
5 °/₀ IMPORT RATE Would leave 7½ °/₀ Subsidy to Foreign Articles. 7½ °/₀ STATE-AIDED IMPORT.	Less strong in its tendency to suppress Home Industries, but still granting 7½ °/₀ preference to Foreign Articles, which means 7½ °/₀ Spoliation. A SEVERELY DESTRUCTIVE POLICY.
10 °/₀ IMPORT RATE Would leave 2½ °/₀ Subsidy to Foreign Articles. 2½ °/₀ STATE-AIDED IMPORT.	Still less strong in its tendency to suppress Home Industries, but still giving 2½ °/₀ Preference to Foreign Articles, and means 2½ °/₀ Spoliation applied to our Industries. A DESTRUCTIVE POLICY.
12½ °/₀ IMPORT RATE. This constitutes Equal Incidence of Taxation : that is, it would be charging Foreign goods at the same rate in our market as the goods produced at home have to pay.	This would give EQUITABLE TREATMENT OF THE INDUSTRIES AND NO PROTECTION. At this rate Home production would receive Equal Treatment with the Foreigner.

CONTINUATION OF CHART:—

Tariff Regulation or Arrangement.	Result Produced.
12½ °/₀ IMPORT RATE. GIVING NO STATE-AID AND NO PROTECTION.	It would mean cessation of SPOLIATION. It would leave the Home producer in the position of having to recognise that the Foreigner has as much right to enjoy our Home market at cost as he had himself, This would only give Just and Equitable Treatment, without which it cannot be expected that industries can succeed. NEITHER DESTRUCTIVE TO HOME INDUSTRIES NOR ENCOURAGING TO THEM.
15 °/₀ IMPORT RATE, Giving 2½ °/₀ Preservative Rate.	At this rate, having 2½ °/₀ Preservative Rate, our Home Industries would receive a preferential use of our own market equal to 2½ °/₀. The highest authorities have agreed that any country is justified in favouring its own people through favouring its own industries. ENCOURAGES HOME INDUSTRY BY 2½ °/₀. A CONSTRUCTIVE POLICY.
20 °/₀ IMPORT RATE ..... 22½ °/₀ IMPORT RATE	...Would give 7½ °/₀ Preservative Rate. ...Would give 10 °/₀ Preservative Rate. CONSTRUCTIVE POLICIES.

From the preceding it will be seen that any degree of State-aid to Imports, however small, has an effect which is opposed to the interests of the country which grants it. In every country it will be found conducive to prosperity to possess such preservative rates as will retain within the country the utmost amount of production. They act as the police of a city to prevent underhand proceedings or

the tricks of private individuals. To be without, is to declare that you are undefended. It provides a condition which invites irregularities. It corresponds to leaving all doors and windows open and valuables exposed. To police the market does not cost anything, but to leave it defenceless is most expensive.

There are frequently, in all countries, temporary causes of greater or less unemployment, but these must not be confounded with the operations of permanent principles which adversely affect production.

Endless time and discussion have been wasted upon points which are irrelevant in the present condition of Tariffs in Great Britain, such as the relative number of unemployed or the comparative prices of wheat or food or clothing in Great Britain and in other countries. The leading fact we have to realise and to consider is that we tax ourselves to give State-aid to Imports. As a commercial proposition, the absurdity of that course is evident upon the face of it, and it is a system of which we have the entire monopoly.

Preservative Rates may be found advisable or requisite, but for State-aid to Imports there can be no justification.

It may be pointed out that any country which possesses, from any cause, a high rate of cost is liable, even with Equal Incidence of Taxation, to be deprived of its production by countries possessing, from any cause, a lower rate of cost of production in any given article. In such cases it is necessary for the country possessing the higher rate of cost to apply the economic means of Preservative Rates, in order to retain its production.

If we could make butter in Great Britain to sell profitably at 9d. per lb., imports would not be able to realise 1s. per lb. But if our cost is 1s. 2d. per lb., outsiders have it in their power to obtain 1s. 1d. per lb., and secure our trade, even although their cost may be only 6d. per lb.

If a sound Tariff system be adopted, broadening the basis of taxation, the high import rates at present existing upon tea, tobacco, and other articles can be dispensed with. The object is not to raise more money, but principally to readjust taxation upon proper commercial and scientific lines. In place of having an erratic and pernicious system, to have a scientific system which will work for the good and prosperity of the nation and the people.

The chief object of any Government should be "The aggregate Happiness of Society."—(George Washington.) This can only be attained by guarding and advancing the welfare of the nation. It cannot be maintained that it forms any part of the duty of a Government so to legislate that it gives away the realised capital of one class, the producers, to another class, the consumers; or, still worse, to give it to outside competitors.

The displacement of home production by the importation and substitution of foreign production is a source of national loss, because the disadvantage to the nation is immensely greater than any possible profit to the importer or benefit to the consumer.

The main guide for legislation is that it should be based upon Equity.

CHAPTER XXXIII.

CAPITAL AND CAPITALISTS.

Capital is the friend of the working man, although much is said amongst working men to the contrary. The want of national capital or the want of individual capital would soon place the working man in difficulty, but it is the object of enlightenment to endeavour to prevent national calamity which would ensue from destruction of capital, or even uncertainty regarding it. National prosperity is but an aggregate of individual successes. Prosperity cannot be arrived at without those people who can make prosperity. They are the men of capacity, of initiative, of power of endurance, of energy, mental activity, and sound judgment.

Men are not all born alike. Observe a class of schoolboys. A few are always at the top—numbers can never get away from the bottom. In a process of levelling, where should the level be? At the capacity of the bottom boy? Take away the possibilities of rising by independent exertions, give talent and industry no reward, then they will remove themselves to other territory. But who is it who reaps advantage from the talent of a leader or successful employer? It is the working man.

The successful employer is not successful for himself alone. All along the line of his career he is spreading benefit around. He is picking up people to give them employment. People who, without some one to direct and initiate for them, would never do it for themselves. The profit the employer makes is the return for his superior thought and initiative power. Without these, the hands he employs would find nothing to work at.

The profits made by an employer are not bottled up. They are utilised, as a rule, to extend his business and his requirement for more labour. All money made in that way goes immediately into circulation, benefiting the working man at every turn. Even if he spends £5,000 a year in his personal establishment, who receives the benefit? Again, the working man. It would be hard to conceive of a greater disorganizing factor in the interests of the working classes than destroying the field for the success of personal talent.

At the present time, administration seems to run in the direction of discouraging and destroying production, increasing unemployment, and opening ways for attack upon capital. Would it not seem more advisable to take the course of removing trammels and injustice from production, even of applying means for retention of production, increase of employment, and showing proper regard for capital?

If Great Britain chooses to continue in the course of weakening herself and her resources, various results will follow which it is just as easy to foresee as it is to know beforehand that the result of State-aid Import will cause diminution of agriculture and the reduction of production to a minimum, accom-

panied by the maximum of unemployment and emigration—emigration to those countries in which more rational consideration is given to the fact that building up cannot be accomplished by the means of pulling down. Remarks of an adverse nature have been made about the competitive system of commerce, but for years we have only been practising a travesty upon that system. It has been the competitive system, plus State opposition. It represents driving a coach up hill with the brakes full on. An effectual way to kill the horses.

CHAPTER XXXIV.

RECENT EVENTS.

Two events of importance in connection with the Tariff movement have recently taken place, namely, the presentation of the programme or scheme of the Right Hon. Joseph Chamberlain, and the counter-blast to the same in the form of a Manifesto of fourteen Professors of Political Economy.

Mr. Chamberlain's scheme consists of a clear, definite, and comprehensible suggestion to place certain import duties upon articles imported, and to relieve other articles which now bear heavy import duties from almost the whole of their burden of duty. When viewed from the standpoint of scientific adjustment of Tariffs, and admitting the fact that our present system is one of granting about 12½ per cent. State-aid to competing imports, the suggestion of Mr. Chamberlain is one which, if adopted, would act entirely in the right direction, viz., the direction of bringing the Tariff arrangements of Great Britain more into line with correct scientific theory. For that reason, the sooner it can be adopted and put into operation, the better it will be for Great Britain.

As State-aided Import of any kind or degree is adverse to the interests of the working classes, and of the nation, an alleviation of the conditions of State-aid is urgently required.

The Manifesto of the fourteen Professors of Political Economy, published in the "Times" of August 15th, 1903, takes the attitude of entire disapproval of Mr. Chamberlain's proposal. It opposes any disturbance of what is erroneously termed our system of Free Trade. While taking that attitude, the signatories do not enlighten the public by any admission that they are aware that the expression "Free Trade" is erroneous and misleading. They do not allude to the fact that legislation is powerless to admit imports "Free" into any country owing to the cost rates for Establishment expenses which exist in every country, but which are not in two countries alike in amount. They do not seem to be aware that the admission of imports without duty does not constitute Free Import, but State-aided Import.

The absence of allusion to these facts seems an indication that the views expressed in the Manifesto are not based upon thorough knowledge of the question. They savour rather of those erroneous and antiquated views which are known to have prevailed, and which still, to a certain extent, exist. Modern knowledge, however, has penetrated further into the nature of the Tariff Question, and with the evidence now available, showing that the expression "Free Trade" is inaccurate and misleading, that the correct title for the operation intended to be described is that of "State-aided Import," it appears that the contention of the fourteen Professors must be regarded as

being founded upon a misapprehension of the true and scientific facts and arguments of the case.

With all respect to those Professors, it is necessary, in the interest of the nation, to point out that the commercial view of the matter is the following:—

1st. That Free Trade, when correctly described, is State-aided Import.

2nd. That the proposition at the base of State-aided Import is that every country shall agree to place itself under the condition of giving preferential terms to imports, conditions under which each country would shut itself out from its own market, in the case of all articles fitted for home production, and would have to depend for its existence upon trade, and upon disposing of its production anywhere abroad.

3rd. Markets are artificial and valuable commodities, differing from each other in cost and value.

4th. The barter of market for market, even if all markets were of equal value (which they are not) is not a sound commercial proposition. It constitutes International State-aided Import, as explained in Clause 2.

5th. To base commerce upon a combination of sale and barter is both unnecessary and disorganizing. It interferes with the due operation of the ascertaining of actual cost in the prices of articles. It introduces departure from equity in commerce.

What advantage does State-aided Import supply

as against its disadvantages? None, of a practical or financial nature. It is impossible to create a national advantage from taxing the nation and giving a bounty to imports in the form of a financial privilege which home producers do not enjoy.

Whether the intention in designing such a scheme of State-aided Import was to render each country as dependent and defenceless commercially as possible, it is perhaps difficult to determine, but there is no difficulty in perceiving that the result of it can be nothing else than what has been stated above, while the practice of it under a condition of isolation can only mean rapid dissolution to any country attempting it. It implies a complete disregard of equitable conditions of business for home producers for the home market. It establishes State-supported opposition to home production for home supply.

CHAPTER XXXV.

ILLUSTRATION OF THE PRINCIPLES OF TARIFF RATES.

Amongst all the discussion concerning Tariffs, nothing has been adduced regarding the principles of the operation of Tariff rates. As to whether we should possess a 5 per cent. or 10 per cent. Preservative Rate, or whether we should possess a 5 per cent. or 10 per cent. State-aid to Import rate, is not a question of principle, but a question of degree of intensity; just in the same manner that it might be considered whether a room should be heated to 40 degrees or to 60 degrees or whether it should be maintained at 5 degrees or 10 degrees below freezing point. The first question, therefore, to determine in regard to the room is whether heat is desired or frost, and after that has been determined the precise degree of either can be decided upon. But it will be recognised that if frost is desired the process for providing it is different from that required for producing heat. The qualities of heat and cold are the reverse of each other, in the same way that light differs from darkness. It is precisely the same in the operation of Tariffs. The first thing to determine is whether,

in any given country, an increase of production is desired or whether a diminution is desired. Either result can be produced, according to which of the two active influences of Tariff is put into operation.

State-aid to Imports supplies the one operation. Preservative Rates supply the other operation.

These two principles are powers which act in opposite directions, and with absolute certainty, just as much so as the introducing of fire into a room will produce heat or the presence of blocks of ice will produce cold.

The effects of State-aid to Imports, or of Preservative Rates, show very little action upon current or market prices of commodities. It is not in the nature of these two powers to affect prices to any great extent. Supply and demand constitute the factors which affect prices. The two powers, State-aid to Imports and Preservative Rates, affect and absolutely control the locality of production, and it can be safely predicted that the country employing State-aid to Imports will have a higher cost of production, in consequence of the diminishing effect that power exercises upon the quantity of production. The smaller the quantity the higher the cost, is a recognised fact.

The country which gives State-aid to Imports does so at its own expense. It invites diminution of production, and taxes itself to procure diminution. The country which adopts Preservative Rates acts in the other way. Without increasing prices, and without taxing itself, it places impediments in the way of outsiders doing for them the work they can do for themselves, consequently it secures full swing to home production. The loss to a country by importing in place of producing

means the loss of the retention of the capital in each transaction, and the loss of all the consequent trade and employment derived from its frequent circulation. The advantage in price in the original transaction may be only 1 per cent. or 2½ per cent., or perhaps 5 per cent. It is seldom more, because skilful sellers do not quote lower in price than is necessary to secure the transaction; but owing to the fact that when the money has to go out of the country in payment, the difference between exporting the cash value and retaining it amounts to the loss of the circulating power of the total sum given in payment. The material loss consists in the loss of the retention of the capital which would be circulating capital if retained in the country. It also means conferring upon some other country the advantages of the transfer of capital to circulate in their country.

What does the loss to a nation, of the retention and circulation of capital represent?

Suppose imported articles could be got 50 per cent. cheaper than by producing them, even then 50 per cent. of the home price would have to be exported and would cease to circulate. It means that twice the amount in wages would be spent in the home production, but the wages would remain in the country, and circulate without end. Even at 50 per cent. less price it would be a loss to a nation to cease to produce, and the proof of that is that if a nation produced nothing, it could not then buy the goods for which 50 per cent. less than its own cost would be taken, because it would have nothing at all to buy with.

The value of production lies in the retention and

circulation of capital. A trifle of advantage in market price of an imported article is, from a national point of view, a delusion.

The actual fact is that imports which displace production of the same article at home are dear and destructive at any price. This is the meaning desired to be conveyed by the axiom "Production is the only source of wealth" (and employment).

But let us take an illustration of the power of Tariffs to displace or retain production.

Take two countries similarly situated—A and B. Take an article of production which, by Nature, one is as well suited to produce as the other, with wages and other conditions alike. By means of Tariff, and Tariff only, the whole of the production can be annihilated in one country and doubled in the other. All that is necessary is for A to adopt Preservative Rates, which keep B out of the market of A, and for B to adopt State Import Rates, which give to A an advantage over producers of B in the market of B.

It becomes a purely mechanical operation for B to reduce itself to idleness while doubling the production of A.

The secret of success is that if the capital is retained, it circulates; if the capital is exported, it does not circulate.

It is in the retention and circulation that the advantage lies, and not in the price at which the first transaction may be effected.

Therefore, the first essential is that a country shall produce, and means must be taken (judiciously) which will accomplish that result. Market price is no equivalent consideration. In

Great Britain we divest ourselves of such views, and the result is that while we say that we buy at the cheapest, in actual fact we buy at the dearest, when we calculate all we give away with each transaction. The consideration in the original price is only a mere fraction in the transaction. The importance lies in the after effect, not in the transaction.

State-aid to Imports means the sacrifice of all the great financial interests of a nation, and of the best classes of a nation. If the whole world were to adopt it, under the false title of Free Trade, it would still be State-aided Import, destructive to home production for home supply, and that is exactly what all other nations understand it to be. State-aided Import may, perhaps, temporarily bolster up some dealers in foreign articles, but at what expense? A nation to be great. must have great ideals, and must possess equitable legislation favourable to production. We have not yet found evidence that the absence of production is the only source of wealth, but that is the condition which we cultivate in Great Britain by means of State-aided Import.

I make no claim to be a discoverer in those paths of argument, but am only an anxious student of cause and effect, possessing commercial experience indispensable to this commercial and very vital question.

The following, copied from Chambers's Encyclopædia, shows that the ground has been traversed many years ago:—

"Mr. Henry Charles Carey (1760-1839) maintained that a nation should grow and manufacture all articles suitable to the country, irrespective of

the fact that they may be imported more cheaply than they can be produced. It will be found that that principle is the most profitable to any nation."

But, somehow, the paths have got obliterated by means of teaching which only misleads, such as that of the manifesto of fourteen Professors of Political Economy of 15th August, 1903, in opposition to the scheme of the Right Hon. Joseph Chamberlain. The paths, therefore, require to be exhumed for the benefit of a generation which has lost sight of them; a generation which tries to build up by pulling down, and to whom the names of George Washington, Alexander Hamilton, Bismarck, or Disraeli convey no meaning, although revered, and their principles successfully followed, by 95 per cent. of the trading communities of the world; communities which, notwithstanding temporary set-backs from temporarily dominating causes, exhibit, in old countries and in new, a steady march of increasing agriculture, increasing industrial production, increasing population, with increasing comfort and increasing attention to those requiring help. In Great Britain we cannot show as good an account, because we are short of the foundation of material prosperity in consequence of our having blindly selected the methods belonging to the expulsion of production. The compass shows the course to take. Shall we regard it, or shall we not? The largest ship we have yet seen can be wrecked by disregarding the compass.

CHAPTER XXXVI.

CONCLUSION.

To have it said that the country is not prepared to accept or even to examine, a commercial and scientific view of a commercial question, does not affect the science of the question. If a suffering patient be informed by a specialist what the remedy is for his complaint, and the patient refuses to take it, the patient must continue to suffer, or die.

In reality, the Tariff question is not obscure, but is simple and comprehensible to those who possess some experience on commerce, commercial organization, and accounting.

There are many aspirants to the position of legislators who know nothing about commerce or its methods. For want of that knowledge they upset commerce in many ways, but as it provides all the bread and butter, a dislocated commerce, with downtrodden agriculture and other producing industries, will tell a sad tale. It means national disaster.

When we examine our Tariff arrangements the prevailing features they exhibit are found to consist of erroneous and misleading titles, contradictory legislation, inconsistent practices, systematic opposition to natural forces, failure to institute equality while equality is claimed to have been instituted,

and the whole associated with unsatisfactory results both at home and in connection with our Colonies.

For the recovery of our position, it is necessary to realise that there must be an entire discontinuance of State-aid to Imports. Its abolition may be accomplished by steps, but it does not appear that there should be much hesitation in adopting a system of equality of access to our own market, seeing that that has been the intention for the last sixty years, although our methods have tended in another direction.

We show great anxiety to secure markets abroad. As for our market at home, the best market in the world, we invite any one to take it away. Are our legislators, or even our producers, aware that that is the condition we have drifted into?

Neither history nor modern experience shows that it is wise to oppose natural forces. They exist for our benefit if we will only use them, by placing ourselves in conformity with them, but if we oppose them, we are bound to be defeated.

The issue at present before the country is frequently stated to be as between Free Import on the one hand and Protection on the other—but that is not a correct statement of the case.

The actual issue before the country is between a continuance of State-aided Imports on the one hand, involving spoliation of agriculture and industries, and loss of consequent trades; or, on the other, a partial return to Equal Incidence of Taxation—that system which would restore equitable treatment to agriculture and other industries—would do much towards preserving the consequent trades, and would greatly benefit the working classes and the nation.

There is no other issue before the nation. It must make its choice and accept the consequences, bearing in mind that Tariff Laws, such as those in operation in this matter, do not alter their nature or course of action to suit party purposes, therefore there would be wisdom in giving heed to them. Science does not recognise temporal powers, but it supplies the compass for a nation to steer by.

The problem to face is that of our system of State-aided Import. It is the most important and the most powerful factor for trade depression and unemployment, but it has never been brought into daylight or dealt with by our Political Economists or administrators. It seems to have escaped their observation.

As for the working man, it may at once be granted that the scientific side of the question of Tariff Reform is difficult for him to follow, but he may be assured, and common sense will show him, that the way to give him employment and to give prosperity to the nation is not to have a system by which our producing industries are driven out of the country, while the market is supplied with foreign produce and manufactures. He has only to look around in order to satisfy himself that that is precisely the result which is accomplished by giving better terms to imports of agricultural and manufactured articles than are given to the corresponding articles of home production, and that to tax the nation to give State-aid to Imports is an absolutely ruinous proceeding.

The whole question of the method of attaining and retaining national prosperity must be treated on its merits scientifically. With a knowledge of the tree one can tell what the fruit ought to be, and a

nation to guide its course must have a compass to steer by. The first necessities of the individual are food and raiment—the first care of a Government should be to provide conditions favourable to prosperity.

Since the world began prosperity has only been given to those nations which have taken the right way to obtain it. Many departures have been made from that way. They have all been failures. It is well to study and learn and understand. For failure to do so, there is a penalty attached, and the nation which does not comprehend the situation will have to face the penalty.

What I claim is that when the subject of a sound Tariff system is regarded apart from the distortions of erroneous titles, it is simple, clear, direct in its action, and absolutely reliable as to its power to produce given results. It will be found that all classes and persons must ultimately face the facts of the case. Natural law is asserting at the present time its dominating power, and demonstrating that building up is not going to be done by the process of pulling down. That prosperity by retention and increase of production is not to be arrived at by the process of adopting legislation for expulsion of production contained in our system of State-aided Import.

To come now to the clear and simple issue. We desire to prosper.

That means we desire to see our industries and employment in healthy condition and increasing.

We desire it on lines of Equity. On other lines, viz., disregarding Equity, success cannot be arrived at. The course, then, is clear.

TARIFF COMPASS.

1st. All legislation must be based upon Equity.

Note: This rule we violate.

2nd. Avoid all legislation or action which operates in opposition to retention or increase of home production for home supply or which assist in its removal or displacement.

Note: This rule we violate.

3rd. Adopt means, by legislation, to prevent production being interfered with or removed, because it must be retained. The most vitally important asset of any country is its production.

Note: This rule we violate.

Those three rules would suffice to guard the commercial position of any country.

Rule 3 can be applied in any degree necessary to accomplish the result. It does not matter what the means may be called. Preservative rates would be a good and descriptive title. Protection—having got confounded with matters with which it has no connection—should be avoided.

When preservation is to be ensured, the means must be taken to accomplish it.

Rule 1 is simply fundamental law.

Rules 2 and 3 represent common sense. If a thing is to be done, don't take the means which produce the reverse effect.

Those three rules present a reliable compass to steer by.

In place of going ahead, we are going astern.

What we have to do is to reverse the machinery.

If we cannot take the course leading to prosperity, then we must be content to do without the prosperity.

Up till 1846 our methods were crude and badly arranged, but in the main they led in the right direction, namely, the retention of industries. In 1846 we adopted methods to disperse our possessions and property. For a time stronger factors dominated. Now these factors are gone, so our principles of dispersion dominate. We see the proofs, in agriculture, in emigration, in unemployed, in insufficient national income, that it is so.

FINIS.

VINCIT VERITAS.

CHAPTER XXXVII.

The following Manifesto was issued by the Society for Preservation of British Industries in May last :—

NON-POLITICAL.

IN THE MATTER OF THE
BRITISH SYSTEM OF STATE-AIDED IMPORT
(Erroneously called " FREE TRADE ").

MANIFESTO

BY

THE SOCIETY FOR THE PRESERVATION OF
BRITISH INDUSTRIES,
TORQUAY.

It is evident, beyond the possibility of doubt, that the system of

IMPORT WITHOUT REVENUE CHARGE,

which was adopted by Great Britain in 1846 (when it is considered from a purely commercial point of view, and according to the rules universally applicable to and recognised by all business concerns throughout the world, and based upon sound accounting), was not FREE TRADE, but was purely

A SYSTEM OF STATE-AIDED IMPORT.

That this is a correct statement is demonstrable in the following manner :—

Every MARKET owes its existence and maintenance to the annual expense at which it is carried on.

The cost of carrying on the British Market comes to 10 to 15 per cent. (call it 12½ for convenience) upon the (approximate) 2,000 million pounds' worth of articles annually consumed within the country. That cost is for the ARMY, the NAVY, and LOCAL EXPENDITURE, together about 230 millions.

What FREE TRADE MEANS to us is, supporting a Market at a cost of 12½ per cent. on the consumption or business done within the country (excluding, of course, Exports, as they do not use this Market). The support for our Market is derived from taxing our population. The use of this Market, which costs 12½ per cent. to ourselves, we give without charge to imports. This constitutes State-aid to Imports. It is a method of giving preferential Protection to the foreigner in the British Market and of pushing out the British Producer from the British Market.

THIS IS WHAT PASSES UNDER THE TITLE OF "FREE TRADE."

Does this system give cheaper articles or cheaper living? It does neither. The prices of articles are regulated by supply and demand. For instances, see the cases of flour, butter, and coal. It principally means driving work, production, and employment out of the country, jeopardising our position by making ourselves more and more dependent upon foreign supplies, and ultimately disintegration. Does it contribute towards the prosperity of the working classes or of the nation? No! PRECISELY THE REVERSE. The prosperity of both depends upon having the maximum amount of work, employment, and production.

All Markets are not equal in value for commercial purposes. They are of different value in consequence of different states of development and conditions, and of cost at

which they are carried on; therefore A FREE EXCHANGE OF MARKETS means an exchange upon equal terms of things which are in themselves not equal or of equal value. That cannot be held as a sound commercial proposition.

FREE EXCHANGE IS NOT JUSTIFIABLE SCIENTIFICALLY.

No country dare give State-aid to Imports (preferential treatment to the foreigner) without disastrous consequences.

It is Political Economy turned up-side down.

It has been frequently argued that Import without charge (erroneously called Free Import) removes trammels from Production. That is precisely what it does not do. It permits the unavoidable and legitimate cost of the Market to remain on the Home Producer, while it relieves the foreign producer, thus creating a disparity between the two of 12½ per cent. in favour of the Imports. This creates nothing but a condition favourable to ruining the Home Producer, the foreigner then obtaining the control of the price of the articles, as in the case of the Beef Trust. In the end it means higher prices to the consumer and entire dependence upon Import.

Upon Exports a rebate of taxation is an essential feature of a sound Fiscal policy.

As demonstrated above, Free Import is only a false and misleading name for what in reality is STATE-AIDED IMPORT, and as STATE-AIDED IMPORT implies ruin to Home Production for Home Supply and Employment by a process of expelling them from the country, then FREE TRADE is altogether a delusion and a snare. And, further, it proves that the prosperity which this country has seen since the adoption of STATE-AIDED IMPORT has not been assisted by our system of State-aided Import, but, on the contrary, has occurred in spite of it.

Why should we attribute prosperity to a cause which

operates in opposition to the axiom that production is the only source of wealth, and why should we refuse to attribute that prosperity to its true and natural causes?

The causes of our prosperity after 1846 were the developments arising from the rapidly extended application of steam power to production in Great Britain and to transit throughout the world. Forty and fifty years ago the wants of the world could only be supplied by Great Britain, consequently our State-aided Import System had not the power to counteract the rush of business which followed upon the rapid development of other countries and the urgency of their requirements. Now, however, that we have the opposition of other countries in the matter of supplying the wants of the world, and when other countries do not choose to follow the idea that they should tax themselves to give preferential treatment to the import of competing articles in their own class of production, we begin to feel the want of our Home Trade, which we have been strenuously occupied in expelling from the country, believing, erroneously, that we derived benefit by so doing, and taxing ourselves in order to accomplish it. Now the true nature and result to be expected from State-aided Import are asserting themselves, and we shall have to face the situation as it is, and not dressed up in fancy garb and colouring to which it has no claim, but which have blinded the eyes of the Nation up till now.

The conclusion arrived at, and which it is impossible to avoid, is that the system adopted in 1846

IS A POLICY OF PLUNDERING ALL THE BRITISH PRODUCING INDUSTRIES,

and that it is carried on

UNDER THE FALSE AND DELUSIVE TITLE OF FREE TRADE.

It would appear that those who originated the idea of our adopting a practice of admitting Imports without any charge for market dues must have done so in ignorance of the fact

that such action at once automatically provides inequitable treatment to the Home Producer who produces for the supply of the Home Market, and it is evident that British Agriculturists and other Producers do not realise their actual position in regard to this.

In the article of wheat, the cost of maintaining the Home Market is about 3s. 6d. per quarter, which is, in its nature, a charge legitimately bearing upon the consumer for benefits supplied to the consumer by the Government. It is for the cost of maintaining the market, and is levied, as an excise charge, by the Government upon the farmer, as being the easiest and most economical method of collecting the tax from the consumer. But the Government, in having legislated that imported wheat shall pay no equivalent to the 3s. 6d. per quarter of excise rate exacted from the British farmer, has established a process of depriving the farmer of his capital by means of the excise rate, which he (in consequence of our contradictory legislation) is prevented from recovering in his price.

Consider the position of the spirit manufacturers. The excise rate levied upon them is balanced by a countervailing import duty of equal or rather higher amount. Why should the same principle not apply to other producing businesses? Why should the excise rate upon wheat not be guarded by an equivalent Import Duty which would give the British wheat grower an access to his own market on equal terms with the imported article? The same unjust process has been applied to every class of producer, and is simply a process of extinguishing the capital of every class of producer for the Home Market, and driving him to ruin. It is a process of creating a position for traders in foreign articles which is antagonistic to Home Production for the Home Market, antagonistic to Home Prosperity and employment, and antagonistic to the carrying out of the maxim that production is the only source of wealth.

All inland taxes for Imperial purposes, and also local taxes, are excise rates.

Up till 1846 we had Import Duties which represented a charge equal to our excise rates, plus "Protection." The "Protection" being derived from the amount of Import Duty which was in excess of the market cost of 12½ per cent.

In 1846 we not only abolished the Protective portion of our Import Rates, but we abolished the equivalent to our excise rates. It was in doing the latter that we introduced and established "STATE-AIDED IMPORT."

From an accounting point of view it is simply an arithmetical TRAP into which British Producers for the Home Market have been led, and in which they seem pleased to remain—that of advancing taxes on account of the consumer to the Government on the one hand, while being, on the other, deprived by the Government of the power of recovering them from the very consumers upon whom the excise tax was intended to fall.

If consumers temporarily receive any benefit at all (and it is not apparent that they do) it is at the expense of the Producer and of the Nation; but that does not constitute a sound business proposition. It is an amalgamation of commerce with charity, which is unjustifiable, and is a feature which has never been advanced or recommended in connection with our system of Import without charge.

Free Trade, so-called, rests upon a fallacy in accounting which has apparently never been realised. It is based upon a system of appropriating the capital of all producers for the Home Trade. It is based upon a failure to recognise the fact in accounting that into a business concern, which costs about 12½ per cent. on the turnover to maintain it, it is beyond the power of legislation to admit Imports into the enjoyment of that business or market which do not contribute their equal share of market cost without throwing an additional burden upon those who are taxed for its maintenance; consequently such Import is not Free Import, but is automatically State-aided Import. To call it Free is a blunder, and it is one which works out to the extermination of Home Production for Home Supply, while at the same time placing unnecessary trammels and impediments upon our Exports, and thus tending to defeat us in our Export Trade.

To a commercial mind skilled in accounting, in production, and acquainted with foreign markets, everything seems to be done on an inverted principle, from which successful or satisfactory results are not possible; and the astonishing thing is that, as to this condition, no Political Economists,

or writers upon Tariff Reform, have hitherto attempted to give a lucid and practical explanation.

Our State-aided Import system, which is as yet but little recognised or understood, is at the root of deadly mischief to producers, to the working classes, and to the Nation. No sound commercial position can be arrived at until State-aid to Imports, otherwise Preferential Treatment of Imports, is swept entirely away. When that is accomplished, Home Producers for the Home Market will stand upon an equal footing with Imports in their own market, and the injustice, inequitable treatment, and spoliation to which they are at present subjected, will be removed.

APPENDIX.

Abridged Report in the "Yorkshire Herald" of 19th November, 1907, upon "The Fiscal Question Simplified."

With the Fiscal Question assuming ever more vital interest alike from a national and a party view, we can conceive of few things more desirable than that it should be rendered as simple as possible, that ambiguities should be cleared away, that misleading terms should be stripped of their power to confuse, and that the issues involved should be laid plainly before the public mind. No subject probably has suffered more from misrepresentation than that of Tariff Reform, and nothing could be more welcome than a process of facile enlightenment. In those circumstances it is a positive pleasure to note the publication of a pamphlet by Mr. R. Ralston Boyd, Vice-President of the Society for the Preservation of British Industries, in which a variety of commonly accepted ideas are shown to be erroneous, and an excellent foundation is laid for sounder notions. Mr. Boyd has spent a lifetime, as he puts it, "in contact with the Fiscal operations of all countries of importance, and with production for Home and Foreign Markets," so that he is singularly qualified to speak on matters affecting our Trade and Commerce, and he does so with a lucidity which is in itself a high recommendation.

Mr. Boyd starts with the proposition, which in itself makes a clean sweep of much of the confusion which has hampered useful discussion and prevented full comprehension of the subject, that the Terms Free Trade, Free Imports,

and Protection, are all improperly and inaccurately employed. Universal Free Trade, as meaning a condition under which all countries would admit Imports without any Import charge, should be called "Universal State-aided Import"; Free Imports, meaning the Imports which we admit into Great Britain without charge, should similarly be "State-aided Imports"; and Protection is used to describe not only (and rightly) the giving of artificial support to our Home Industries for Home Supplies, which we do not practise and do not propose to introduce, but also (and erroneously) the diminution of that State-aid to Imports which has the effect of placing Home Industries at an absolute disadvantage in their own markets, when compared with Imports. His explanation of how that is so, is, as we have stated, lucid and easily comprehended, and his conclusion, which he supports at considerable length and with great force, is that a sound Fiscal Policy demands that we should cease giving State-aid to Imports, and that we should cease to oppress with spoliation our Home Industries for Home Production; then these Industries, by receiving simple justice and equitable treatment, may flourish again, and the question of the unemployed find a solution in giving them that employment which we are at present taxing the nation in order to send out of the country, to return masquerading in the form of increased Imports.

"Pall Mall Gazette," 16th November, 1907.

FISCAL QUESTION SIMPLIFIED.

Mr. Ralston Boyd has just issued a third edition of "The Fiscal Question Simplified" ("Pall Mall" Press, 6d.). It is a pamphlet in which the author has very ably and very carefully demonstrated that what we call "Free Trade" is really State-aided Imports—the aid being given at the expense of Home Industries. State-aid to Imports consists in allowing the produce of other countries to enter our markets without paying any taxes, while all the Home Products against which they compete have their cost increased by taxes imposed upon the capital and the labour as well as upon the material engaged in their production. Taxation

corresponds to the charge recognised in every trading concern for "Establishment expenses." This has been estimated at 12½ per cent. on the value of the internal trade of the country, and any products which come in without paying a tax get the equivalent of State-aid to the extent of that 12½ per cent.—a margin large enough to give them a huge advantage over the home productions.

"Shrewsbury Chronicle," 22nd November, 1907.

THE FISCAL QUESTION SIMPLIFIELD.

This is a sixpenny pamphlet published by the "Pall Mall" Press, with the object of explaining the principles of the Fiscal Question, and disposing of some popular erroneous ideas entertained thereon. It is a lucid explanation of a very difficult subject, and clears up several points in a way which makes it specially interesting to working men.

"Croydon Guardian," 30th November, 1907.

THE FISCAL QUESTION SIMPLIFIED AND ITS PRINCIPLES EXPLAINED,

By the Author of "British Industries in Danger"; third edition.

(London: "Pall Mall" Press, Newton-street, W.C.)
Price 6d.

No simpler pamphlet than this on the Tariff Reform question has been published. With the author's basic view accepted, most of the evils of lack of employment, and the social consequences that follow in its train, are clearly explained. Our present Fiscal system, he explains, is one of State-aided Imports instead of so-called Free Trade. There are no reliable figures as to the volume of our Home Trade, but taking the estimate of the late Professor Leone Levi, the Establishment charges, so to speak, that our tradesmen and manufacturers pay in respect to it amount to something like 12½ per cent. If the foreigner is allowed to

bring in his imports free he has practically a 12½ per cent. bonus paid to him, and our manufacturers and tradespeople are to that extent handicapped. Any duty against the foreigner which is not more than 12½ per cent. is not protective, properly so-called, and if it should be more than 12½ per cent. it would be protective in so far only as it exceeded it, a 15 per cent. duty, for example, being protective to the extent of 2½ per cent. The pamphlet is the production of one who is familiar with foreign trade, and is well worth reading.

Copy of letter from W. S. AIRY, Master at Denstone College, Staffordshire.

Denstone College, Staffordshire,
December 22nd, 1907.

To R. Ralston Boyd, Esq.,
Vice-President of the Society for
Preservation of British Industries.

Dear Sir,—I am much obliged to you for kindly sending me your most interesting pamphlet on the Fiscal Question, entitled "The Fiscal Question Simplified and its Principles Explained," and trust that it may have a wide circulation and assist materially towards impressing upon the minds of the public the startling disadvantages under which British Trade is now labouring.

It is of the greatest importance that the facts which you have so lucidly proved should be taught and brought home in those districts, especially rural districts, where the operation of Tariffs is not so readily understood as in manufacturing centres.

I shall be interested to see what part this question plays in any bye-elections, and think your elucidation should be of great benefit in removing the misapprehension usually entertained on this vital subject, mainly owing to an obvious misuse of terms.

What I consider to be of great importance is your definition of the fact that our British system is not Free Trade at all, but is one of State-aided Import, and even if adopted

by other countries would then be correctly termed International State-aided Import.

State-aided Import seems to me to be National Suicide.

Again thanking you,

I am, yours very sincerely,

W. S. AIRY,
Master at Denstone College.

Copy of letter from Colonel Sir CHARLES J. O. FITZGERALD, K.C.B., J.P., Assistant Political A.D.C. to Secretary of State for India, 1882; Officer in charge of Hyderabad Court of the Colonial and Indian Exhibition, 1887, etc.

Dunmore, Eastbourne,
December 30th, 1907.

To R. Ralston Boyd, Esq.,
Vice-President of the Society for
Preservation of British Industries, Torquay.

Dear Mr. Boyd,—With further consideration of the third edition of your pamphlet, entitled "The Fiscal Question Simplified, and its Principles Explained," I have to say that I feel convinced that the ground you take, upon which you claim the necessity for Tariff Reform, is sound and incontrovertible. It seems of the nature of a truism to say that to tax ourselves to give preferential treatment to imports is a doctrine which cannot be anything but pernicious, because it is obvious that, without producing any diminution in the prices of articles to consumers, its effect is simply that of a lever to enable foreigners to supply our market with articles which we are quite as well able to supply ourselves; and the fear, which some seem to possess, that placing duties on imports less or even equal to the cost of our market to our own producers would be "Protection" is absurd, because such duties would never afford any "Protection" to our producers. "Protection" cannot appear, or exist, until rates be imposed which are higher than our market cost of 12½ per cent.

Supposing that any advantages to the consumer were

gained by the arrangement (which evidently there are not), it is even then only an arrangement whereby taxes are levied in order to help consumers of all classes, and that is a proposition which, when thus plainly stated, shows up its own absurdity. Because to tax one class with the intention of assisting another class is not business, but legalised charity. It is an operation which produces a result which was never hinted at or entertained by those who introduced into Great Britain the system of "State-aided Import," under the false and misleading title of "Free Trade." What seems incomprehensible is that for over sixty years this pernicious system has been carried on without any professors of political economy, or any one else, with the single exception of yourself, unearthing its fallacies. I trust that your pamphlet, which I consider gives a lucid and easily understood solution of the difficulties of the Fiscal Question, will be extensively circulated and read.

I am, yours very sincerely,

CHARLES J. O. FITZGERALD.

2, Dr. Johnson's Buildings,

Temple, London, E.C.,

April, 1908.

Dear Mr. Ralston Boyd,—Very many thanks for yours of the 21st inst., and contents.

I am most happy to hear of the prospect of an evening being devoted to your version of Tariff Reform at the United Empire Club, and I shall certainly do my utmost to be present, and to testify as to my experience of the efficacy of your presentation of the case with all sorts of audiences.

I can safely say that your view of the question has provided me with an argument which I find at once the most easily understood, and the most convincing of all the arguments in favour of Tariff Reform. It depends not upon this or that set of figures as to Exports and Imports—statistics which generally only confuse audiences and darken counsel,

and which are of a singularly unsatisfactory nature, because also of their elusiveness and the facility with which, by a twist of the dialectical kaleidoscope, any dexterous speaker can make them seem to yield contradictory lessons.

Your mode of approaching the problem, being rooted, as it is, in a definite and clear-cut principle, which it seems to me impossible to controvert, cuts away all the entangling undergrowth of arithmetical puzzles, and conducts the intellect straight to the core of the matter by keeping statistics in their proper place (which is a very subsidiary one), and providing for the inquiring mind a rest and anchorage, which I have not only found a delight and satisfaction to myself, but, as I have said, a means of convincing others, where otherwise I feel I should have failed.

Yours very truly,

A. MACONACHIE.

Mr. John Holt Schooling, in his British Trade Book (third issue, 1908) has added a chapter (Chapter XV.) for the special elucidation of the bearing of the National Working Expenses for the maintenance of the British market, and the fact that we grant the use of it to imports without duty, in which chapter he emphasises the importance of the aspect that we are taxing British labour for the benefit of labour in foreign countries. This is precisely the point upon which so much importance is placed in this volume, and which the Society for the Preservation of British Industries has advocated for a number of years—it is, therefore, satisfactory to find this view supported by so well known an authority. The chapter referred to above is worthy of careful perusal.

665, 677, 669, 671, Lord-street, Southport,
January 15th, 1908.

To R. Ralston Boyd, Esq.

Dear Sir,—I have read with the greatest interest the pamphlet you so kindly sent me, and my regret is that the

arguments and facts brought forward are not given a wider publicity. It has provided me with a line of argument, in discussing this matter with those to whom the fallacy of Free Trade is almost a fetish, which I have not found in such magazines as the "National Review," "Nineteenth Century," the "Contemporary Review," and kindred publications. Would it not be possible for you to create a fund for the gratuitous distribution of this pamphlet, or for its insertion *en bloc* in some of the daily newspapers? I, for one, should consider myself privileged if allowed to contribute £5 for this object, as I am more and more convinced that the best means are not adopted to bring home to the great masses of the people the dangers that beset us, both within the Empire and throughout the world generally, by our adhesion to the effete system of Free Trade. My father was closely associated with the late Mr. John Bright, and took an active part in the repeal of the Corn Laws, but I came to the conclusion several years ago that our system was entirely based upon a wrong foundation, which has been amply confirmed by what I have seen in my travels in America and throughout Germany and the European Continent generally. Some of these countries are making more progress than we are commercially; under the system of Protection there is employment for all, and far more contentment and thrift than we see amongst the working classes at home. In the meantime I have placed an order, through the "Pall Mall" Press, for a number of copies for distribution amongst my friends, who are the most incorrigible Free Traders, and hope and believe that, where I have failed to convince, your unanswerable arguments and statistics will prevail.

Thanking you for calling my attention to the pamphlet,

I am, yours very respectfully,

JOHN T. NUTTALL.

6, Baring Place, Exeter,

18th January, 1908.

Dear Mr. Ralston Boyd,—I read the excellent and thoroughly well deserved critiques of your pamphlet with

much interest. Rowland Hunt, M.P., who writes a great deal to the papers, certainly advocates your view of the matter. Several other men, too, I saw here have taken up the point. I wish Mr. Balfour would give it his attention. Indeed, I cannot think why he does not, as it is an unanswerable argument in favour of Tariff Reform.

Yours very truly,

TOM NEILL,

Hon. Sec. to the Tariff Reform League, Exeter.

24, Park Street, Grosvenor Square, London,

March 20th, 1908.

I beg to thank you for pamphlet and papers kindly sent. I have read them with the greatest pleasure, for it puts the question in a way that appeals to me from my standpoint of the thinker, pure and simple. I always want to get to the core of the argument. The bane of to-day is confusion of terms and thought. The only remedy is to insist upon clear thinking, and to refuse to accept fallacious terms and argument. You have done this admirably in your pamphlet, for the main thing to aim at is not to frighten or knock down an opponent, but to appeal to reason and thought, and compel attention to the main point. I confess that your pamphlet is the only one that has appealed to me entirely on its merits.

ARTHUR LOVELL.

Belmont House, Bude,

March 24th, 1908.

Many thanks for your pamphlet, etc. Your point of view of the Tariff Question, which is in favour of proving that the system we have is in reality State-aided Import and is not Free Trade at all, is very clearly set forth, and I think you establish your case with great lucidity.

H. N. WETHERED.

In connection with this, it is appropriate to recall some of the expressions of our great men.

Extracts from the SPEECHES of Mr. BENJAMIN DISRAELI,

On the subject of FREE IMPORTS.

Mr. B. Disraeli, Speech, April 25th, 1843.—The motion of the hon. gentleman (Lord Howick) meant that they should fight against hostile tariffs with free imports, and nothing else. For himself, he believed that would be a policy, financially, of the most disastrous kind; at any rate there was sufficient evidence before them to prove that its immediate consequences would be tariffs more hostile to England.

At Shrewsbury, May 9th, 1843.—But my idea of Free Trade is this: that you cannot have Free Trade unless the person you deal with is as liberal as yourself. If I saw a prize-fighter encountering a galley-slave in irons, I should consider the combat equally as fair as to make England fight hostile tariffs with free imports.

Speech, February 20th, 1846.—There were propositions made at Utrecht which were not carried into effect, for a general system of commercial communication at a very moderate duty—at 10 per cent. That was really the principle of Free Trade.

Ibid.—When a great Minister has to deal with the general arrangement of the commercial affairs of a country, he has two main objects to attain: first, how to employ the people, and, secondly, to secure them variety of employment.

Ibid.—Imports mean displacement of labour.

Speech in the House of Commons, February 20th, 1846. —In a Prussian publication it states that she has the most

obstinate determination that this Free Trade system must be uncompromisingly resisted, in order to advance the cause of native industry.

In France hostile parties are unanimous that Free Trade, as proposed by Great Britain, must be resisted.

Ibid.—There has been Free Trade in Turkey for a long time, and what has it produced? It has destroyed some of the finest manufactures in the world.

Ibid.—My constituents are the children of industry and toil, and they believe, first, that their material interests are involved in a system which favours native industry, by insuring at the same time real competition. Imports mean to them displacement of labour

May 15th, 1846.—Mr. Cobden has been in the habit of assuring his audience that the average rate of freight was 10s. 6d. per quarter of corn, and that, to this extent, a protection was afforded to agriculture; but, generally speaking, it is now universally admitted that freight is no protection at all; for it is just as expensive to transport a quarter of corn from one English port to another as to bring it from foreign ports.

Ibid.—I believe, and I think I can show, that while the present Corn Laws may raise the prices of the necessaries of life to the community, they increase, in an infinitely greater ratio, the purchasing powers by the community.

Believing that this measure would be fatal to our agricultural interests; believing that its tendency is to sap the main energies and springs of our manufacturing prosperity; I am obliged to ask myself, if the measure be so perilous, why is it produced?

Ibid.—Though I disapprove of their doctrines; though I believe from the bottom of my heart that their practice will eventually be as pernicious to the manufacturing interests as to the agricultural interests of this country; etc., etc.

Speech, May 15th, 1846.—It may be vain now, in the midnight of their intoxication, to tell them that there will be an awakening of bitterness; but the dark and inevitable hour will come. Then, when their spirit is softened by misfortune, they will recur to those principles that made England great, and which, in our belief, can alone keep England great.

Spoken in favour of the cause of labour, the cause of the people, the cause of England.

Ricardo, pp. 464 and 480.—Import duty should be imposed to equalise taxation. The omission to place an equivalent to our taxation upon imports is equivalent to giving a bounty (State-aid).

Adam Smith.—Every individual should contribute towards the support of the Government in proportion to the revenue they respectively enjoy under the protection of the State.

Stuart Mill (Book 5, Chap. 4).—The only way in which a country can save itself from being a loser by the revenue duties imposed by other countries on its commodities is to impose corresponding revenue duties on theirs.

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